Public Accounts

Volume 1 – Consolidated Financial Statements

for the fiscal year ended March 31, 2011

The Honourable Graham Steele
Minister of Finance

NOVA SCOTIA

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NOVA SCOTIA

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Message from the Minister

I am pleased to present the Public Accounts for the fiscal year 2010-11.

This was the second year of Nova Scotia's four-year plan to get back to balance. And I'm pleased to say that Nova Scotia's finances are moving toward a more sustainable path.

Getting back to balance requires that Nova Scotia lives within its means. During 2010-11, government continued its efforts to get spending under control with total expenses down $171.5 million over last year.

Our province reported a surplus of $569.1 million, which offset a net investment in tangible capital assets of $354.2 million. This allowed the government to lower the net debt by $217.8 to $12.8 billion. In April 2010, it was estimated that the province's debt at the end of 2010-11 would be $14.0 billion. Having not reached this higher debt level, the province will avoid about $55 million annually in debt servicing costs.

This year's surplus does not change the financial challenges our province is facing. Real change is necessary, and our Better Care Sooner and jobsHere plans are examples of real change for a sustainable future for Nova Scotia.

The March 31, 2011 consolidated financial statements are in accordance with generally accepted accounting principles and have received an unqualified audit opinion from the Auditor General.

Hon. Graham Steele
Minister of Finance

Financial Statement Discussion and Analysis

for the fiscal year ended March 31, 2011

Public Accounts

In accordance with the *Finance Act*, the Minister of Finance for the Province of Nova Scotia produces Public Accounts annually to report on the operating results and financial condition of the province. Volume 1 includes general purpose financial statements, meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information for the departments of government as well as crown corporations, boards, and other entities owned or controlled by the province.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. For purposes of the province's financial statements, this means the Public Sector Accounting (PSA) standards of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The 2011 Public Accounts *Volume 1 – Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview and highlights of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAB guidance on behalf of the Minister and the Deputy Minister of Finance.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the selected highlights of the General Revenue Fund include more detailed information and budget-to-actual analysis on revenues, expenses, tangible capital assets, and additional appropriations. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia provincial government, but excludes other governmental units and government business enterprises owned or controlled by the province.

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 – Agencies and Funds* is a collection of audited financial statements of various agencies, boards, other governmental units, government business enterprises, and trust funds. *Volume 3 – Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund in the fiscal year for salaries, travel, grants, and expenses.

Presentation of Estimates

The annual budget, referred to as the Estimates, represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the following pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the Consolidation and Accounting Adjustments from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

The Estimates have also been reclassified to conform to the presentation format adopted in the current year. Note that the change in presentation causes no impact on the provincial deficit because it is already stated in accordance with Canadian GAAP for the public sector.

When consolidating the government controlled entities into these financial statements, the province adjusts the entities' accounting policies to conform with its own so the amounts can be added together on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expense recorded in departmental expenses is eliminated with the corresponding grant revenue in the related entity. This transfer between the two related entities does not increase or decrease the assets of the province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with outside entities not controlled by the province. Only transactions with these outside entities represent the increase and decrease in the province's financial position.

Reconciliation of Estimates

Reconciliation to the Adjusted Estimate on the Consolidated Financial Statements
For the year ended March 31, 2011

	Estimate 2011	Adjustments	Adjusted Estimate 2011
Revenue			
Provincial Sources			
Tax Revenue	4,239,802	—	4,239,802
Other Provincial Revenue	768,742	491,645	1,260,387
Net Income from Government Business Enterprises	348,573	—	348,573
Investment Income	182,553	—	182,553
	5,539,670	491,645	6,031,315
Federal Sources	3,199,934	155,886	3,355,820
Total Revenue	8,739,604	647,531	9,387,135
Expenses			
Agriculture	60,879	2,071	62,950
Community Services	971,562	74,878	1,046,440
Economic and Rural Development	107,978	22,726	130,704
Education	1,315,365	336,077	1,651,442
Assistance to Universities	60,643	—	60,643
Energy	35,943	5,120	41,063
Environment	52,777	49,303	102,080
Finance	33,870	19,089	52,959
Fisheries and Aquaculture	13,231	—	13,231
Health	3,634,935	99,310	3,734,245
Health Promotion and Protection	88,383	(38,072)	50,311
Justice	289,487	(67)	289,420
Labour and Workforce Development	182,918	(15,885)	167,033
Natural Resources	95,441	2,984	98,425
Public Service	194,467	25	194,492
Seniors	1,902	—	1,902
Service Nova Scotia and Municipal Relations	312,304	1,237	313,541
Tourism, Culture and Heritage	61,065	1,786	62,851
Transportation and Infrastructure Renewal	397,343	4,275	401,618
Restructuring Costs	111,423	—	111,423
Program Expenses	8,021,916	564,857	8,586,773
Tax Credits & Rebates	54,800	—	54,800
Pension Valuation Adjustment	8,448	—	8,448
Debt Servicing Costs	959,197	—	959,197
Total Expenses	9,044,361	564,857	9,609,218
	(304,757)	82,674	(222,083)
Consolidation & Accounting Adjustments			
General Revenue Fund Consolidation Adjustments	92,803	(92,803)	—
Health and Hospital Boards Operations	—	—	—
School Board Operations	(6,035)	6,035	—
Special Purpose Funds	(2,870)	2,870	—
Other Organizations	(1,224)	1,224	—
Total Adjustments	82,674	(82,674)	—
Provincial Deficit	(222,083)	—	(222,083)

Economic Highlights

Nova Scotia's Provincial Economic Accounts measure Gross Domestic Product (GDP). GDP includes the sum of all expenditures for the production of goods and services that generate income within the province. The value of these expenditures is equivalent to the value of income earned from the production of goods and services.

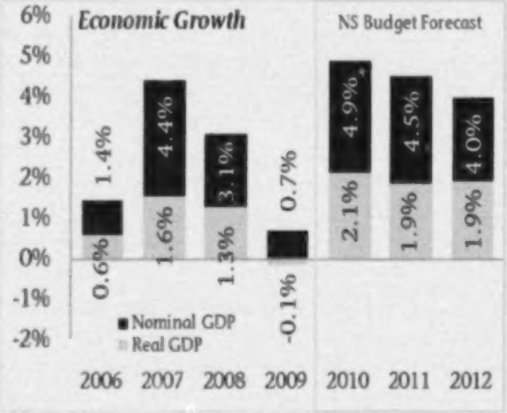
Nominal GDP is the measurement of the value of expenditures and income in current dollar terms, so the increase in nominal GDP includes rising prices as well as increasing production. Real GDP reduces nominal GDP by correcting for price increases, giving a truer indication of growth in Nova Scotians' standard of living.

Provincial tax revenues are collected as percentages of certain transactions, such as income earned by individuals and corporations, as well as certain household and business purchases. The value of nominal GDP is the broadest measure of the potential tax base in Nova Scotia. Sub-components of nominal GDP provide strong indications of the growth of specific provincial tax bases, including personal income, corporate profits, consumer expenditures, and residential construction.

The Economy in 2010 and 2011

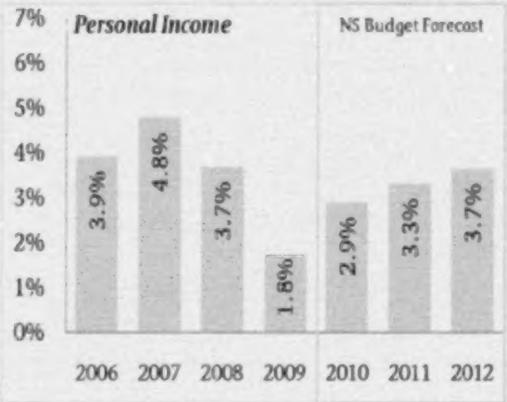
Statistics Canada has released preliminary real GDP figures for 2010. Nova Scotia's real GDP grew by 2.1 per cent in 2010 – the fastest growth since 2002.

Final figures for real and nominal GDP in 2010 will be released in November 2011. The Department of Finance currently projects that nominal GDP grew by 4.9 per cent in 2010 and will grow by 4.5 per cent in 2011. These forecasts are consistent with private sector economists' expectations of Nova Scotia's GDP.



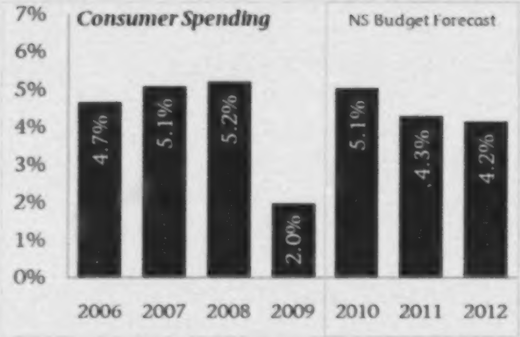
Personal Income

Nova Scotia's personal income growth slowed from previous trends during 2009's global recession in 2009. Despite labour income growth of 4.7 per cent in 2010, the Department of Finance expects that total personal income will recover more slowly through 2010 and 2011.



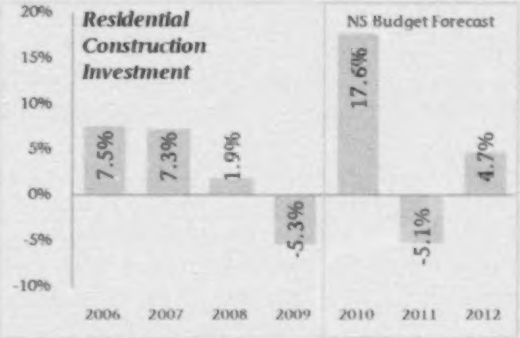
Consumer Spending

Consumer spending drives HST revenues and was expected to post a strong recovery of 5.1 per cent in total for 2010. This recovery was primarily due to significant growth in retail sales in 2010. However, through the first months of 2011, retail sales growth has been more muted.



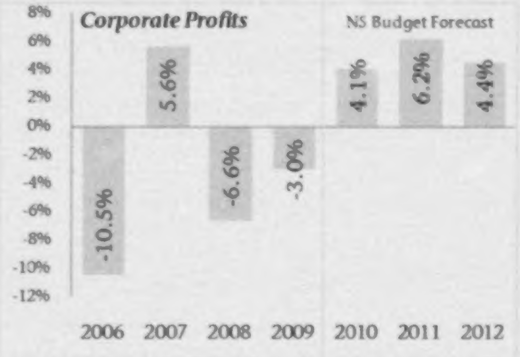
Residential Construction

Residential construction is another important driver of HST revenues. New housing and renovation activities propelled a strong level of construction in 2010. However, this pace cannot be maintained indefinitely under current demographic projections and residential construction investment is expected to reverse somewhat in 2011.



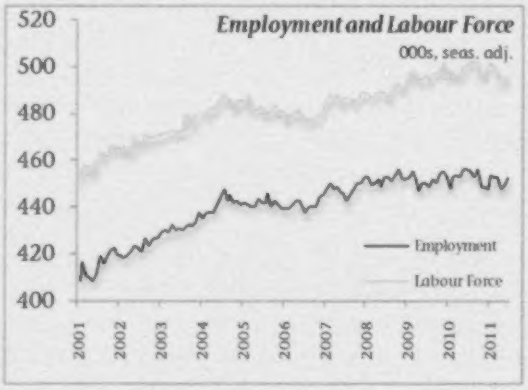
Corporate Profits

Corporate profits were less severely affected by the recession than originally expected. In fact, Nova Scotia's corporate profits declined by only 3.0 per cent in 2009 and are expected to post a modest recovery through 2010 to 2012. However, corporate profits can be subject to substantial revisions over time and are historically very volatile.



Employment

Provincial program spending generates a significant amount of income and employment as public goods and services are produced by public servants. Public services play a significant role in short-run economic performance. Public sector employment has been a key source of stability in Nova Scotia during the recent recession. At the start of the global recession, Nova Scotia's employment levels fell by as much as 9,300 from pre-recession peaks. Private sector employment growth is needed for Nova Scotia to fully recover.



NOVA SCOTIA

Key Economic Indicators

						FORECAST	
		2006	2007	2008	2009	2010	2011
Nominal GDP	*$m, Market Prices*	31,644	33,031	34,041	34,283	35,952	37,578
Growth rate		*1.4%*	*4.4%*	*3.1%*	*0.7%*	*4.9%*	*4.5%*
Real GDP	*$m, chained 2002, Market Prices*	28,174	28,611	28,969	28,931	29,542	30,095
Growth rate		*0.6%*	*1.6%*	*1.3%*	*-0.1%*	*2.1%*	*1.9%*
Personal Income	*$m, Market Prices*	27,689	29,016	30,094	30,623	31,519	32,572
Growth rate		*3.9%*	*4.8%*	*3.7%*	*1.8%*	*2.9%*	*3.3%*
Personal Expenditure	*$m, Market Prices*	21,611	22,713	23,897	24,367	25,599	26,694
Growth rate		*4.7%*	*5.1%*	*5.2%*	*2.0%*	*5.1%*	*4.3%*
Retail Sales	*$millions*	11,141	11,616	12,089	12,102	12,656	13,280
Growth rate		*5.8%*	*4.3%*	*4.1%*	*0.1%*	*4.6%*	*4.5%*
Residential Investment	*$m, Market Prices*	2,179	2,337	2,381	2,254	2,651	2,515
Growth rate		*7.5%*	*7.3%*	*1.9%*	*-5.3%*	*17.6%*	*-5.1%*
Consumer Price Index	*Index 2002=100*	110.4	112.5	115.9	115.7	118.2	120.7
Growth rate		*2.0%*	*1.9%*	*3.0%*	*-0.2%*	*2.2%*	*2.1%*
Corporate Profits	*$m, Market Prices*	2,908	3,071	2,867	2,780	2,895	3,074
Growth rate		*-10.5%*	*5.6%*	*-6.6%*	*-3.0%*	*4.1%*	*6.2%*
Bus. Investment (excl. res.)	*$m, Market Prices*	3,099	3,217	2,822	2,856	3,400	3,587
Growth rate		*-1.1%*	*3.8%*	*-12.3%*	*1.2%*	*19.1%*	*5.5%*
Exports	*$m, Market Prices*	14,137	15,376	16,255	14,736	15,344	16,296
Growth rate		*-4.5%*	*8.8%*	*5.7%*	*-9.3%*	*4.1%*	*6.2%*
Imports	*$m, Market Prices*	19,951	21,841	23,385	22,156	24,636	24,871
Growth rate		*0.6%*	*9.5%*	*7.1%*	*-5.3%*	*11.2%*	*1.0%*
Population	*000's at July 1*	938	935.8	936.7	939.1	942.5	942.5
Growth rate		*0.0%*	*-0.2%*	*0.1%*	*0.3%*	*0.4%*	*0.0%*
Labour Force	*000's annual average*	478.8	486.7	489.4	497	498.8	497.3
Growth rate		*-0.7%*	*1.6%*	*0.6%*	*1.6%*	*0.4%*	*-0.3%*
Participation Rate	*%, annual average*	62.60%	63.50%	63.60%	64.30%	64.20%	63.90%
Percentage change		*-0.7%*	*0.9%*	*0.1%*	*0.7%*	*-0.1%*	*-0.3%*
Employment	*000's annual average*	441	448	452	451.4	452.5	456.1
Growth rate		*-0.1%*	*1.6%*	*0.9%*	*-0.1%*	*0.2%*	*0.8%*
Unemployment Rate	*%, annual average*	7.90%	8.00%	7.70%	9.20%	9.30%	8.30%
Percentage change		*-0.5%*	*0.1%*	*-0.3%*	*1.5%*	*0.1%*	*-1.0%*

Notes:

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.

The data for both 2010 and 2011 are primarily forecasts prepared by the Nova Scotia Department of Finance except where actual data have become available from Statistics Canada.

Financial Highlights of the Consolidated Financial Statements

for the fiscal year ended March 31, 2011

Financial Highlights

($ thousands)

	Adjusted Estimate 2011	Actual 2011	Actual 2010 (as restated)
Consolidated Statement of Operations			
For the fiscal year ending March 31			
Total Revenue	9,387,135	9,896,884	9,230,762
Less: Total Expenses	9,609,218	9,327,783	9,499,276
Provincial Surplus (Deficit)	(222,083)	569,101	(268,514)
Consolidated Statement of Financial Position			
As at March 31			
Financial Assets		4,180,727	3,454,545
Less: Total Liabilities		17,008,058	16,499,691
Net Debt		(12,827,331)	(13,045,146)
Non-Financial Assets		4,967,058	4,615,772
Accumulated Deficits		(7,860,273)	(8,429,374)

Provincial Surplus (Deficit)

The provincial surplus (deficit) is the net financial result of the year's operations. For the fiscal year ending March 31, 2011, total revenue was $9.9 billion (2010 - $9.2 billion) and total expenses were $9.3 billion (2010 - $9.5 billion). The resulting provincial surplus was $569.1 million, which was an increase of $837.6 million over the results from the prior year and $791.2 million higher than the budgeted deficit of $222.1 million.

Net Debt

Net debt is the difference between the province's total liabilities and its financial assets. It represents the amount of liabilities to be funded from future revenues, including taxation. Net debt decreased by $217.8 million to $12.8 billion as a result of the $569.1 million surplus offset by net investments of $354.2 million in tangible capital assets and a net decrease of $2.9 million in other non-financial assets.

Accumulated Deficits

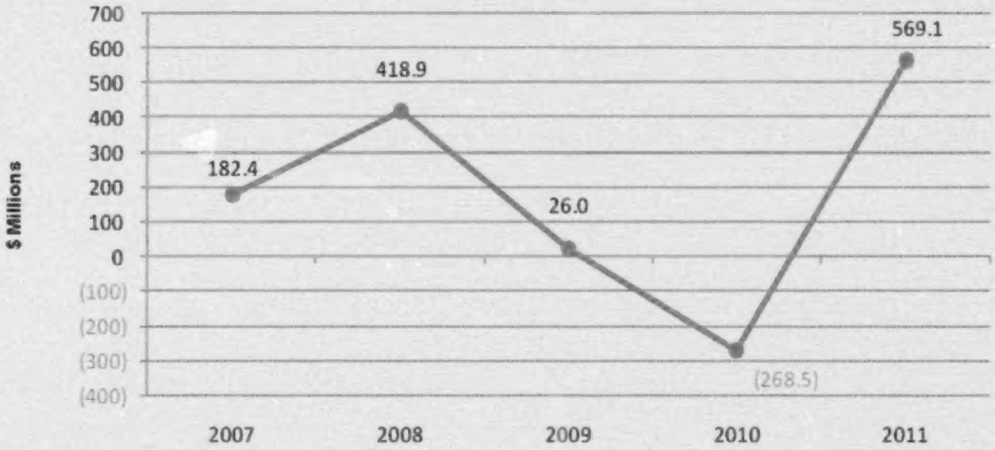
Accumulated deficits represent the difference between the province's total liabilities and both its financial and non-financial assets. Further, it is the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits decreased to $7.9 billion at the end of the current fiscal year from $8.4 billion at the end of the previous fiscal year as a result of the surplus of $569.1 million. Under generally accepted accounting principles (GAAP) for the public sector, a year-end surplus reduces accumulated deficits.

Provincial Surplus (Deficit)

The main purpose of the Consolidated Statement of Operations and Accumulated Deficits is to report the province's revenues and expenses for the year ended March 31, 2011 and the comparative fiscal year.

The Province of Nova Scotia has reported the following results over the past five years:

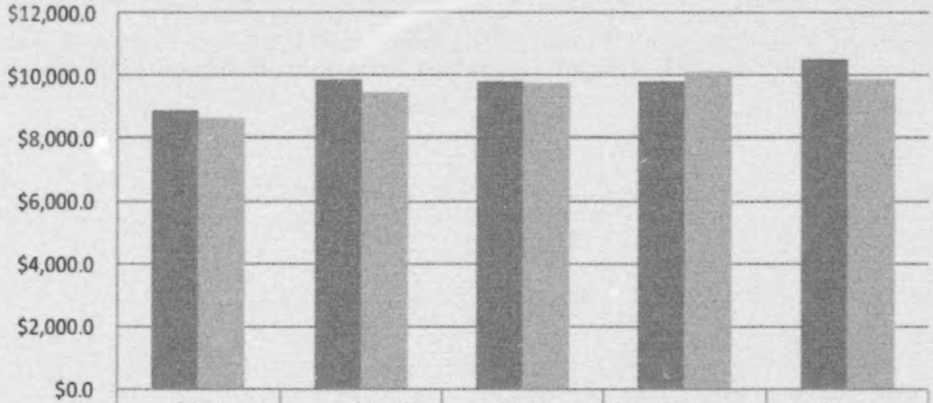
Provincial Surplus (Deficit) - 5 Year Trend



Revenues and Expenses per Capita

The provincial surplus increased by $890 on a per capita basis, from a deficit of $286 per capita in 2010 to a surplus of $604 per capita in 2011.

Revenue & Expenses per Capita - 5 Year Trend



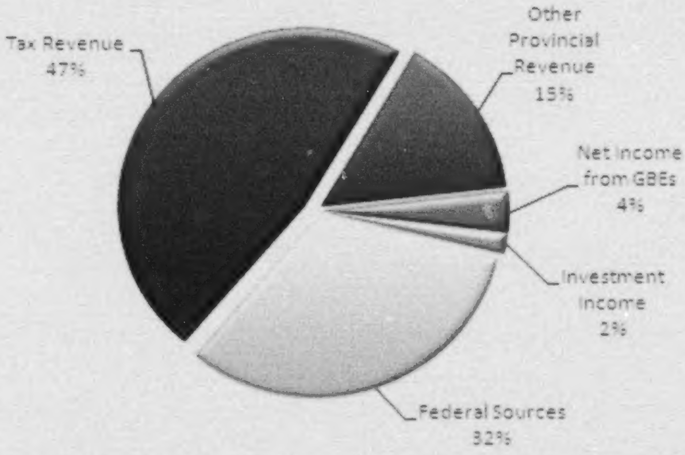
	2007	2008	2009	2010	2011
■ Total Revenue	$8,866	$9,886	$9,798	$9,841	$10,501
■ Total Expenses	$8,671	$9,439	$9,770	$10,127	$9,897

Revenue

On a consolidated basis, total revenue for the year was $509.7 million higher than the estimate and $666.1 million higher than the previous year. Changes in revenue from taxes and federal contributions are attributable to the General Revenue Fund specifically. The remaining revenues are earned from a variety of sources by the General Revenue Fund and the controlled entities. More detailed information on General Revenue Fund revenue variances is provided in the analysis commencing on page 42 of this publication.

Revenue **($ thousands)**	**Adjusted Estimate 2011**	**Actual 2011**	**Actual 2010**	**Actual vs Estimate**	**Actual vs Actual**
Provincial Sources			*(as restated)*		
Tax Revenue					
Income Taxes	2,240,525	2,519,112	2,193,539	278,587	325,573
Sales Taxes	1,872,816	1,990,565	1,705,703	117,749	284,862
Other Tax Revenue	126,461	167,481	161,267	41,020	6,214
Other Provincial Revenue					
Petroleum Royalties	173,640	197,008	110,060	23,368	86,948
Recoveries	190,831	344,543	338,995	153,712	5,548
Miscellaneous	895,916	930,339	925,259	34,423	5,080
Net Income from GBEs	348,573	357,219	358,731	8,646	(1,512)
Investment Income					
Sinking Fund Earnings	89,092	102,234	92,188	13,142	10,046
Interest	93,461	79,507	57,711	(13,954)	21,796
	6,031,315	6,688,008	5,943,453	656,693	744,555
Federal Sources					
Equalization Payments	1,360,722	1,360,723	1,464,935	1	(104,212)
Other Federal Transfers	1,995,098	1,848,153	1,822,374	(146,945)	25,779
	3,355,820	3,208,876	3,287,309	(146,944)	(78,433)
Total Revenue	9,387,135	9,896,884	9,230,762	509,749	666,122

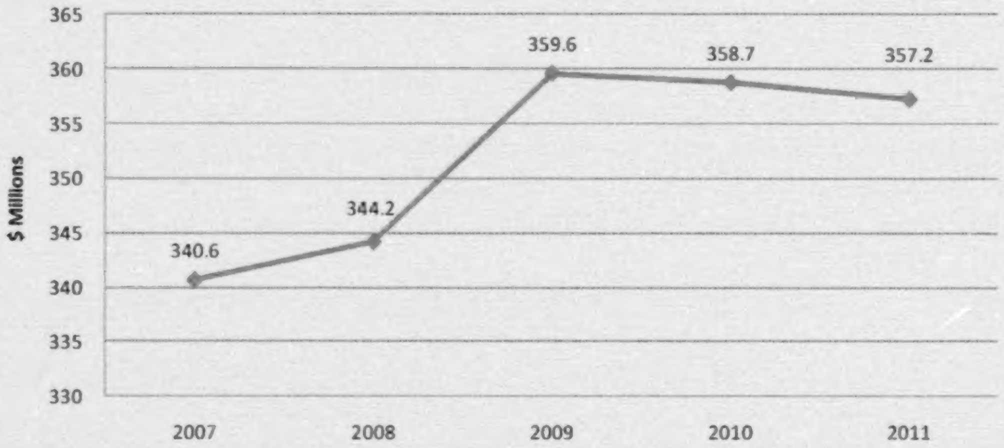
Revenues By Source - 2011



Net Income from Government Business Enterprises

Net income from government business enterprises (GBEs) decreased by $1.5 million from the previous year to $357.2 million. For the past five fiscal years, this revenue source has ranged from a low of $340.6 million in 2007 to a high of $359.6 million in 2009. One of the major contributing factors to the overall growth has been the increase in the net income of the Nova Scotia Liquor Corporation.

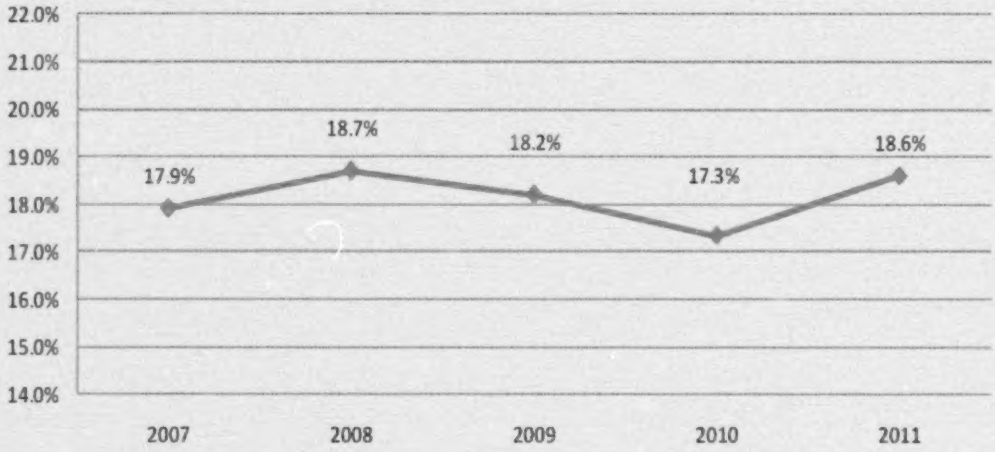
Net Income from GBEs - 5 Year Trend



Own Source Revenue to Gross Domestic Product

This ratio measures the extent to which the province is earning income out of the provincial economy, either through taxation or user fees. Own source revenue as a percentage of nominal gross domestic product (GDP) has remained relatively stable over the last five years, from a low of 17.3 per cent in 2010 to a high of 18.7 percent in 2008, meaning that the province has not significantly changed its demands on the provincial economy over this time.

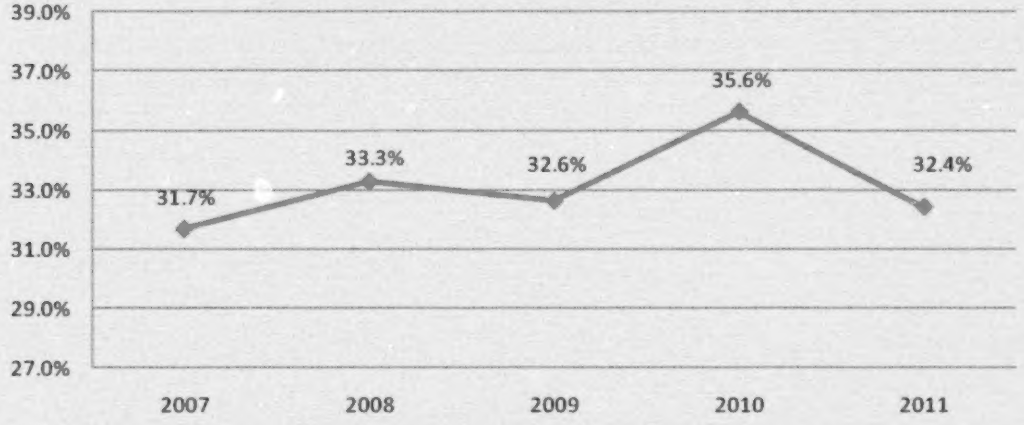
Own Source Revenue to GDP - 5 Year Trend



Federal Transfers to Total Revenue

This ratio measures the extent to which the province relies on the federal government for revenues. These transfers are dependent on policy decisions at the federal level and are outside the control of the provincial government. Federal transfers as a percentage of total revenue decreased by 3.2 per cent from the previous year to 32.4 per cent. The percentage of federal transfers to total revenue has remained relatively consistent for the province over the past five years, ranging from a low of 31.7 per cent in 2007 to a high of 35.6 per cent in 2010.

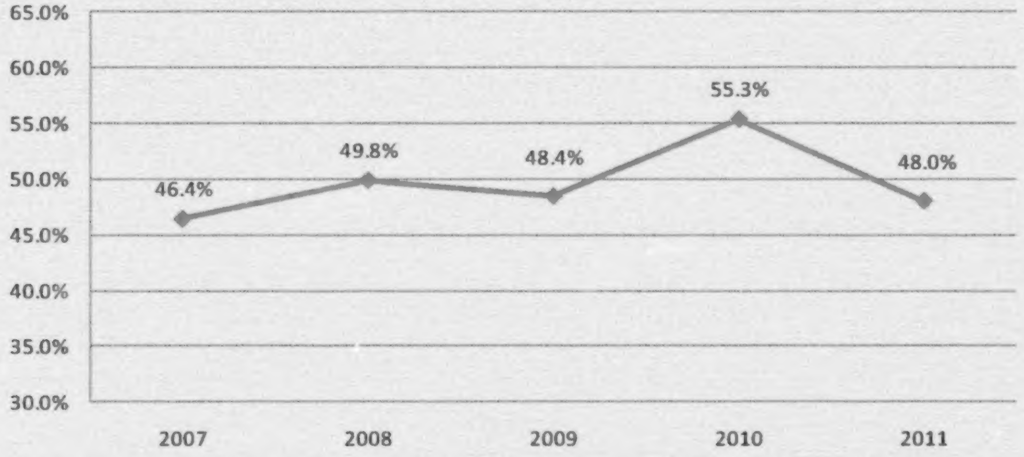
Federal Transfers to Total Revenue - 5 Year Trend



Federal Transfers to Own Source Revenue

This ratio measures the extent to which a province raises its own revenue from within the province as compared to the amount it receives from the federal government. Federal transfers as a percentage of own source revenue decreased by 7.3 percentage points from the previous year to 48.0 per cent. The percentage of federal transfers to own source revenue over the past five years has ranged from a low of 46.4 per cent in 2007 to a high of 55.3 per cent in 2010.

Federal Transfers to Own Source Revenue - 5 Year Trend



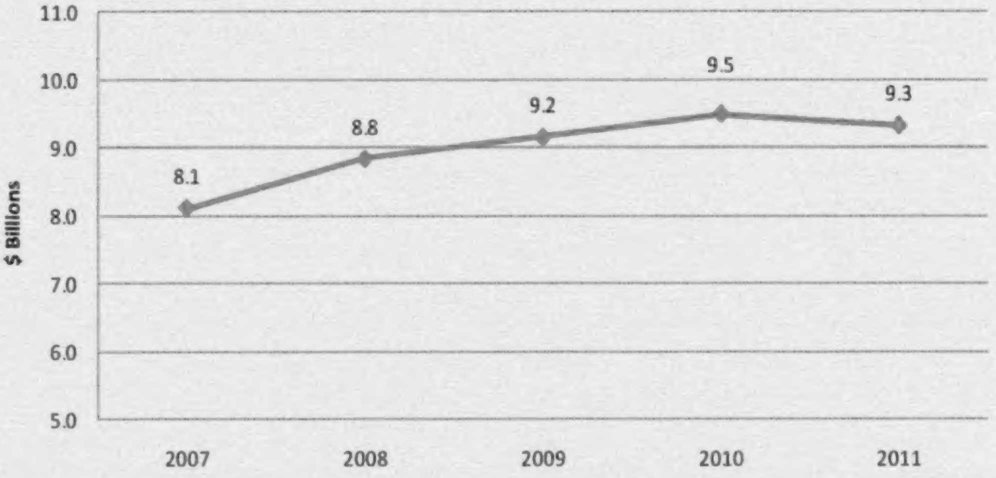
Expenses

The sources of expenses for the province have remained consistent with the prior year, with the health and education sectors making up 60.1 per cent of total expenses (59.9 per cent in 2010). Total expenses have decreased $171.5 million from the previous year to $9.3 billion, primarily due to an overall decrease in Education and Assistance to Universities of $329.1 million offset by an increase in Health and Health Promotion of $222.7 million. Pension Valuation Adjustments, which are driven by actuarial calculations, decreased by $112.1 million, while expenses for Transportation and Infrastructure Renewal increased by $26.9 million. Remaining departmental expenses combined for an increase of $20.1 million.

Expenses

($ thousands)	**Adjusted Estimate 2011**	**Actual 2011**	**Actual 2010** *(as restated)*	**Actual vs Estimate**	**Actual vs Actual**
Health and Health Promotion and Protection	3,784,556	3,826,520	3,603,778	41,964	222,742
Education and Universities	1,712,085	1,775,757	2,104,837	63,672	(329,080)
Service Nova Scotia and Municipal Relations	313,541	292,471	278,499	(21,070)	13,972
Community Services	1,046,440	923,433	941,186	(123,007)	(17,753)
Transportation and Infrastructure Renewal	401,618	405,710	378,834	4,092	26,876
Justice	289,420	277,587	276,187	(11,833)	1,400
Debt Servicing Costs	959,197	861,404	849,675	(97,793)	11,729
Pension Valuation Adjustments	8,448	(25,696)	86,410	(34,144)	(112,106)
Other Expenses	1,093,913	990,597	979,870	(103,316)	10,727
Total Expenses	9,609,218	9,327,783	9,499,276	(281,435)	(171,493)

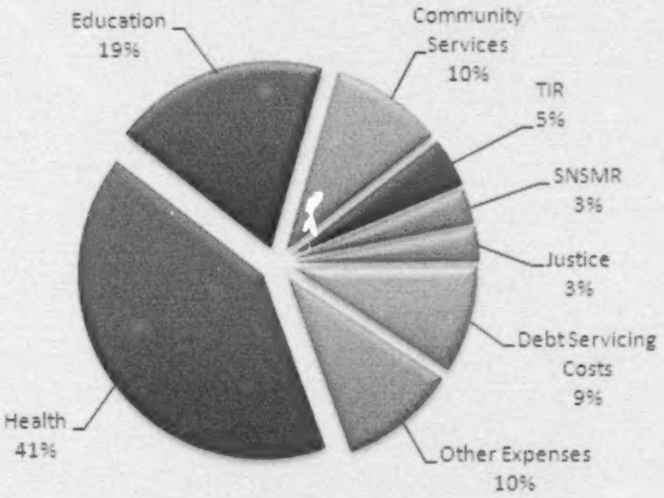
Total Expenses - 5 Year Trend



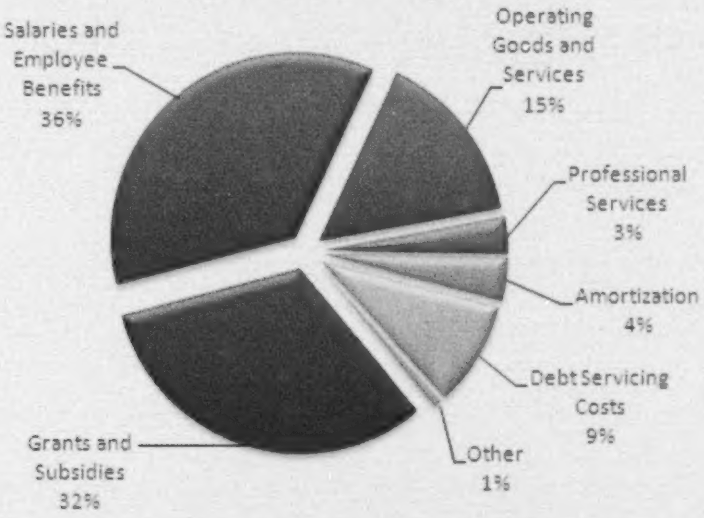
Expenses by Function and by Object

The province's expenses by major activities and by object have been consistent over the past five years. The related breakdowns for 2011 were as follows:

Expenses By Function - 2011



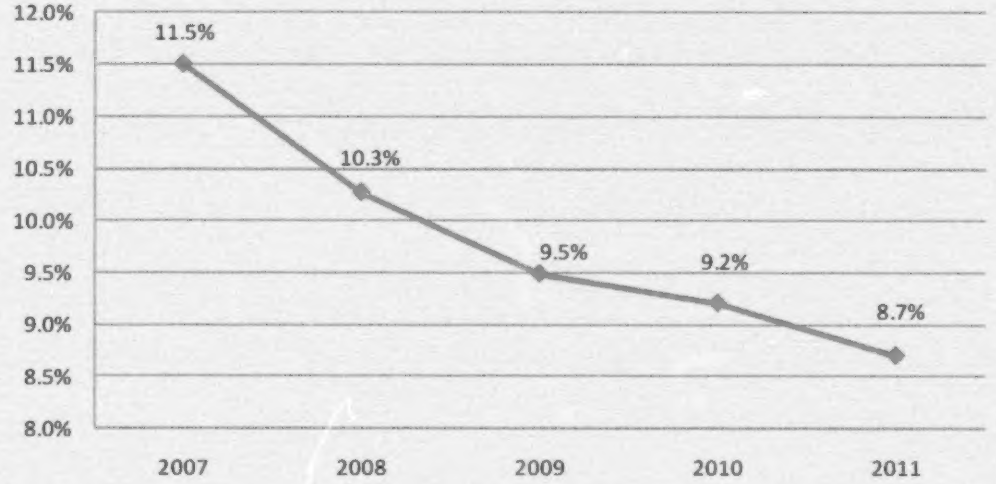
Expenses By Object - 2011



Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows how much of every dollar of revenue was needed to pay interest and thus was not available to pay for program initiatives. A lower ratio means that there is more revenue available to provide government services. Over the past five years, the percentage of debt servicing costs to total revenue has decreased from 11.5 per cent in 2007 to 8.7 per cent in 2011.

Debt Servicing Costs to Total Revenue - 5 Year Trend

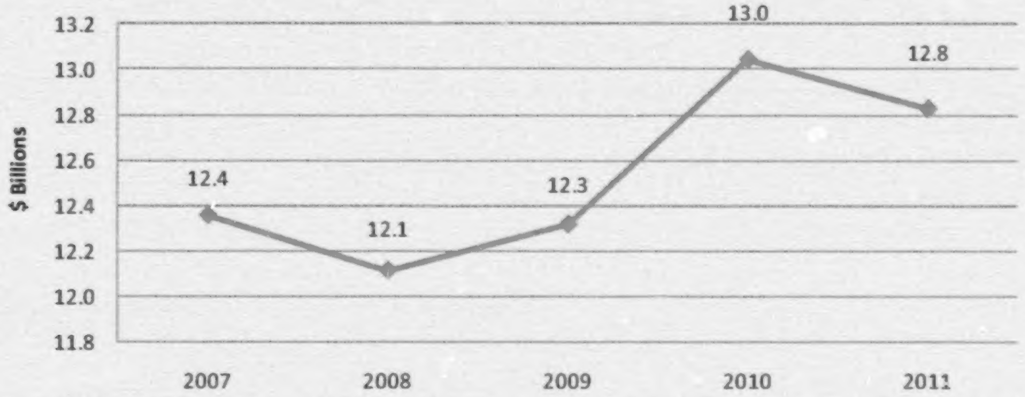


Net Debt

The Consolidated Statement of Financial Position reports the balances of financial assets, liabilities, and non-financial assets. It discloses the balance of net debt as a key measure of the province's financial position and accumulated deficits as a secondary measure.

The Province of Nova Scotia has reported net debt in the past five years as follows:

Net Debt - 5 Year Trend



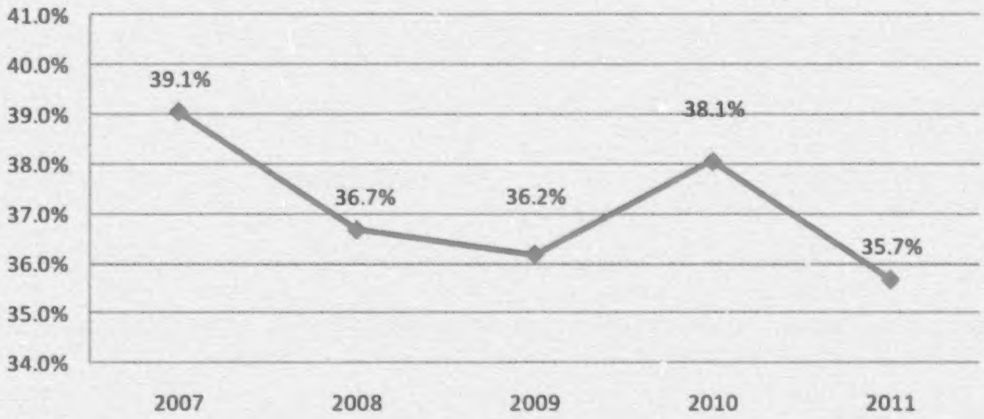
Net debt is the amount that current and past generations have accumulated through annual losses and investments in tangible capital assets. It represents the amount of liabilities to be funded from future revenues, including taxation. These amounts remain an obligation for future generations to fund through annual surpluses or to continue to carry as debt. Net debt results when a government's total liabilities exceed its total financial assets.

Net debt was $12.8 billion at March 31, 2011, $217.8 million lower than the prior year due to the $569.1 million surplus offset by a $354.2 million net investment in tangible capital assets. Other small changes impacting the balance of net debt were the decrease of $5.7 million in supplies inventory and the increase of $2.8 million in prepaid expenses.

Net Debt to Gross Domestic Product

Net debt as a percentage of the province's GDP provides a measure of the level of financial demands placed on the economy by the government's spending and taxation policies. A higher ratio means the net debt of the government is more onerous on the economy. This ratio decreased 2.4 percentage points from 38.1 per cent in 2010 to 35.7 per cent in 2011. The decrease was due to the decrease in net debt.

Net Debt to GDP - 5 Year Trend

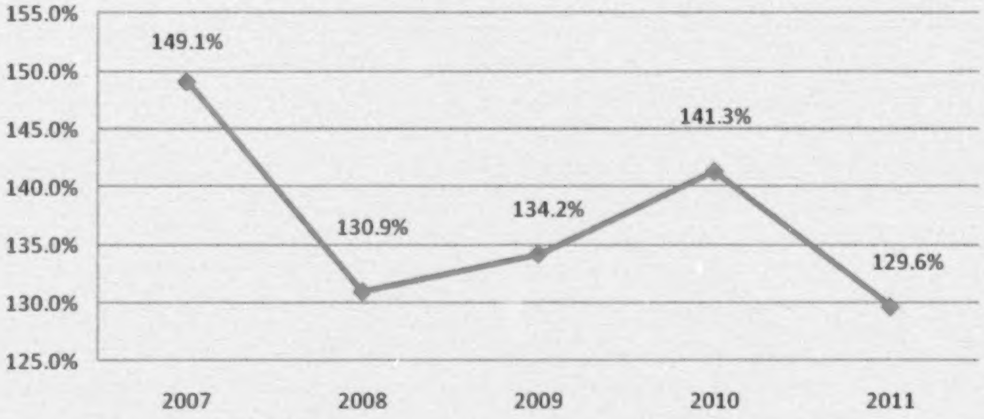


Net Debt to Total Revenue

Net debt provides a measure of the future revenues required to pay for past transactions and events. An increasing ratio of net debt to total revenue would indicate that more time is necessary to eliminate net debt.

Net debt as a percentage of total revenue decreased 11.7 percentage points from the previous year to 129.6 per cent. Over the past five years, this ratio has ranged from a low of 129.6 per cent in 2011 to a high of 149.1 per cent in 2007.

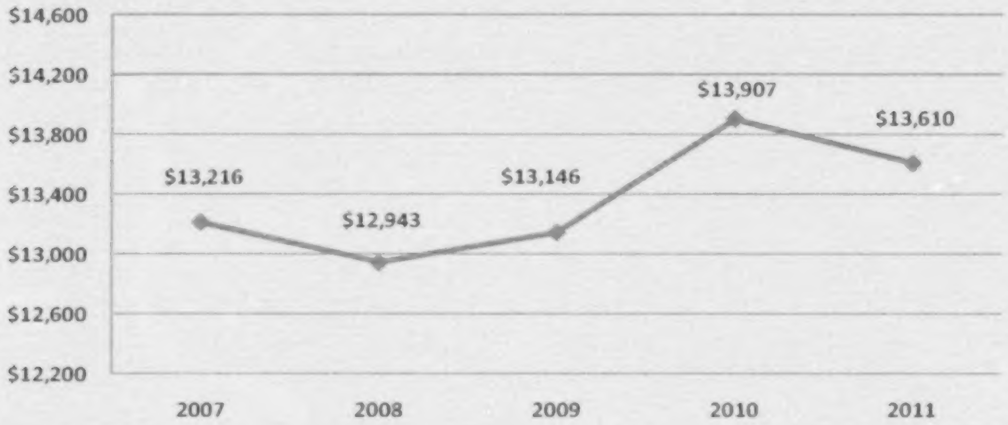
Net Debt to Total Revenue - 5 Year Trend



Net Debt per Capita

Net debt per capita decreased by $297 from $13,907 in 2010 to $13,610 in 2011. Consistent levels of net debt per capita show that government debt is changing at a similar rate as Nova Scotia's population.

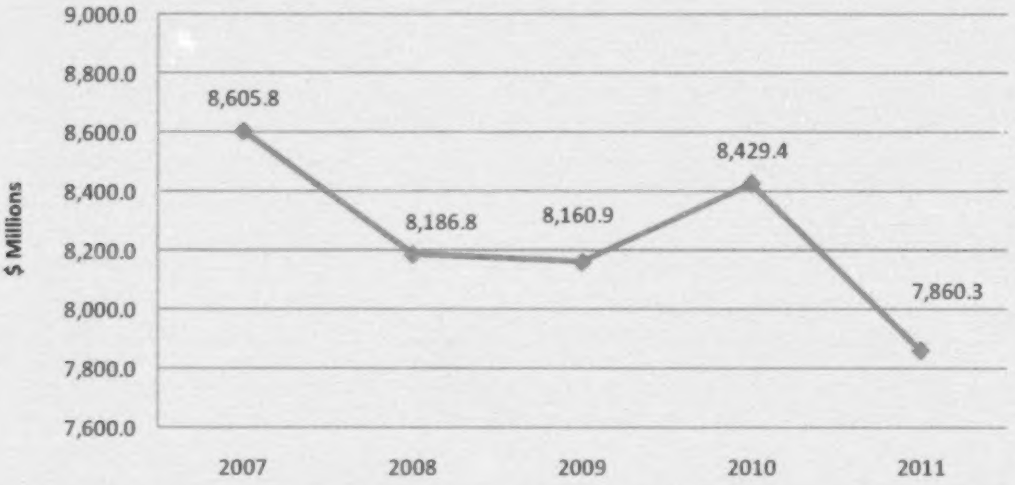
Net Debt per Capita - 5 Year Trend



Accumulated Deficits

Accumulated deficits represent the difference between the province's liabilities and both its financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficits were $7.9 billion at the end of 2011, lower compared to 2010 by the surplus of $569.1 million in the current fiscal year.

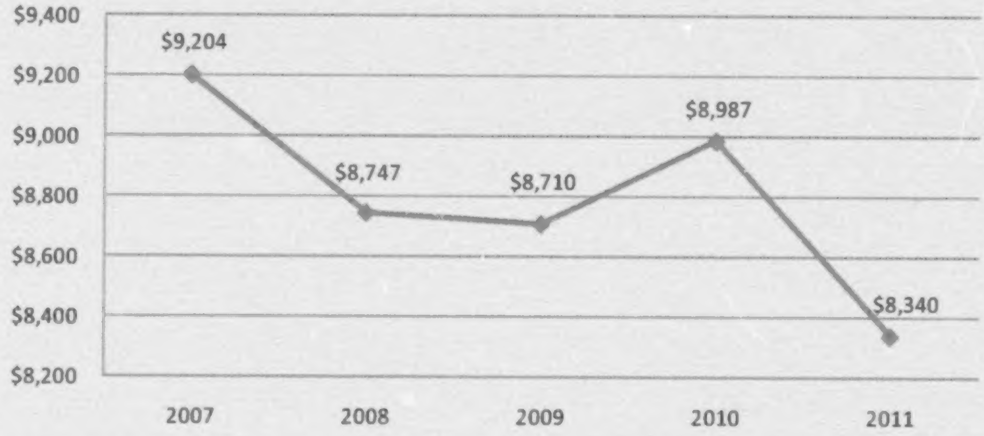
Accumulated Deficits - 5 Year Trend



Accumulated Deficits per Capita

This fiscal year's accumulated deficits resulted in a decrease of $647 per capita from $8,987 in 2010 to $8,340 in 2011. The ratio of Accumulated Deficits per Capita has declined $864 since 2007.

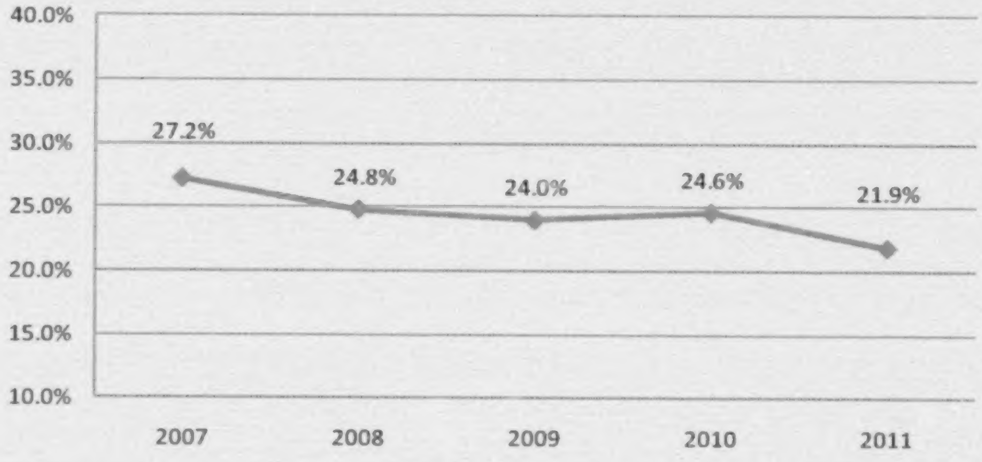
Accumulated Deficits per Capita - 5 Year Trend



Accumulated Deficits to Gross Domestic Product

Accumulated deficits expressed as a percentage of GDP decreased 2.7 percentage points from 24.6 per cent in 2010 to 21.9 per cent in 2011 due to the surplus in the current year. The ratio of Accumulated Deficits to GDP has declined 5.3 percentage points since 2007.

Accumulated Deficits to GDP - 5 Year Trend



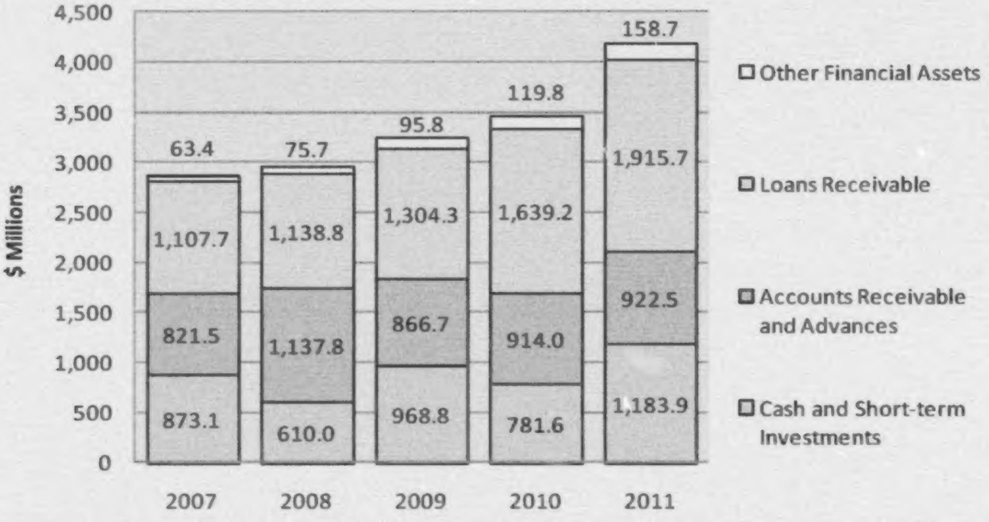
Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased $747.5 million from the previous year to $4.2 billion at the end of 2011. Cash and short-term investments increased by $387.4 million due to proceeds of long-term borrowings held for short-term liquidity. Accounts receivable and advances increased by $44.8 million from the previous year, while loans receivable increased by $276.4 million over the same period. Nova Scotia Housing Development Corporation's loan portfolio increased by $183.2 million as a result of infrastructure loans to long-term care providers. Additional lending by the Industrial Expansion Fund, Nova Scotia Strategic Opportunities Fund, Nova Scotia Business Inc., and Nova Scotia Municipal Finance Corporation also increased loans receivable by a combined $93.2 million.

Financial Assets
($ thousands)

	Actual 2011	Percentage of total	Actual 2010 *(as restated)*	Percentage of total	Variance Increase (Decrease)
Cash and Short-term Investments	1,183,863	28.3%	781,554	22.6%	402,309
Accounts Receivable and Advances	922,518	22.1%	913,988	26.5%	8,530
Loans Receivable	1,915,664	45.8%	1,639,249	47.5%	276,415
Other Financial Assets	158,682	3.8%	119,754	3.4%	38,928
Total Financial Assets	4,180,727	100.0%	3,454,545	100.0%	726,182

Financial Assets - 5 Year Trend

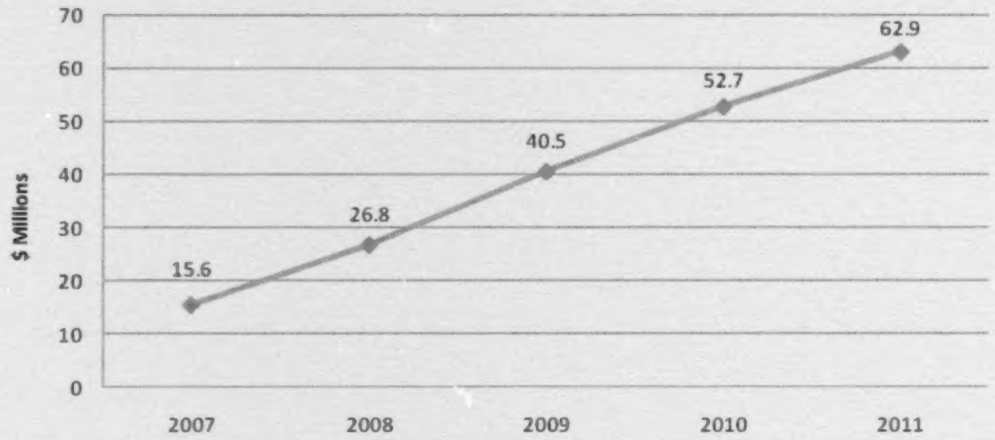


Investment in Government Business Enterprises

Included in Other Financial Assets is the province's financial position in its government business enterprises (GBEs), which has continually improved from a net investment of $15.6 million at March 31, 2007 to a net investment of $62.9 million at March 31, 2011. Net equity of the Halifax-Dartmouth Bridge Commission increased $28.6 million and net equity of Highway 104 Western Alignment Corporation increased $18.7 million over the past five years.

More detailed information about GBEs is provided in Schedule 6 on page 94 of this publication.

Investment in GBEs - 5 Year Trend



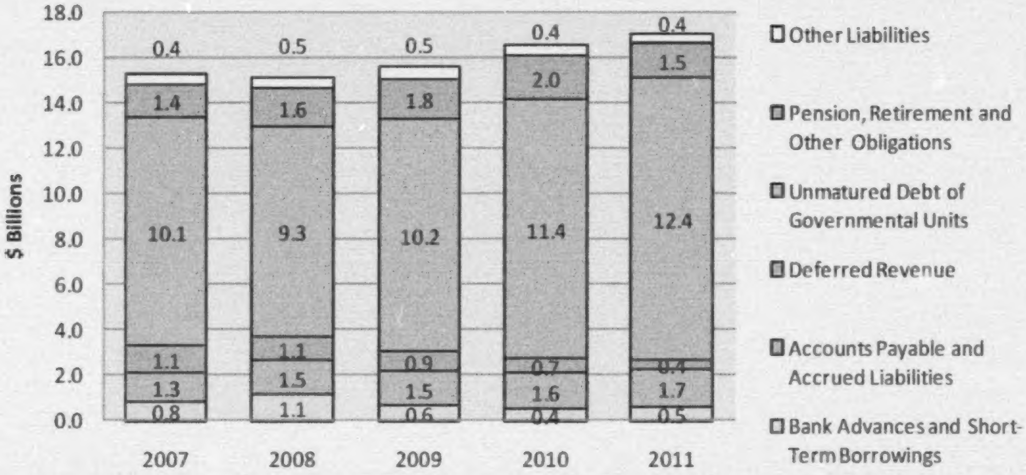
Liabilities

Liabilities, consisting of debts or monetary obligations owing at March 31 to be paid in the future with cash or other assets, increased by $529.7 million over the previous year to $17.0 billion at the end of 2011. Unmatured debt increased by $1.0 billion over the previous year, due primarily to $1.9 billion of borrowings by the General Revenue Fund to fund various loans receivable expansions in the year, remaining stimulus spending, and bank advances used for short-term liquidity. These borrowings were offset by $670.8 million in repayments of debentures and other long-term obligations. Accounts payable and accrued liabilities increased by $138.4 million. To offset these increases, pension, retirement and other obligations decreased by $478.6 million based on valuations including updated member data, actuarial assumptions, and plan amendments. Deferred revenue was drawn down by $275.7 million primarily due to the recognition of $227.2 million from the Offshore Accord and $21.2 million from the C-41 and C-52 federal trusts. Additional information on deferred revenue is provided in Note 4 of the Public Accounts on page 74 of this publication.

Liabilities
($ thousands)

	Actual 2011	Percentage of Total	Actual 2010	Percentage of Total	Variance Increase (Decrease)
Bank Advances and Short-Term Borrowings	536,862	3.2%	442,573	2.7%	94,289
Accounts Payable and Accrued Liabilities	1,720,751	10.1%	1,603,756	9.7%	116,995
Deferred Revenue	395,560	2.3%	671,251	4.1%	(275,691)
Unmatured Debt of Governmental Units	12,447,250	73.2%	11,372,026	68.9%	1,075,224
Federal Equalization Repayable Loan	60,161	0.4%	72,193	0.4%	(12,032)
Pension, Retirement and Other Obligations	1,488,883	8.8%	1,967,476	11.9%	(478,593)
Other Liabilities	358,591	2.0%	370,416	2.3%	(11,825)
Total Liabilities	17,008,058	100.0%	16,499,691	100.0%	508,367

Liabilities - 5 Year Trend



Credit Ratings

The Province of Nova Scotia's credit ratings were confirmed by three major credit rating agencies during 2011. During the fiscal year the Dominion Bond Rating Service maintained the outlook on its "A" rating of the province's long term debt as "positive". Moody's Investor Services Inc. continued with a stable outlook while Standard and Poor's maintained its outlook on their ratings of the province's credit. The following table details Nova Scotia's current ratings relative to its provincial peers.

Credit Ratings

Province	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
Nova Scotia	Aa2	A+	A
Newfoundland and Labrador	Aa2	A+	A
Prince Edward Island	Aa2	A	A (low)
New Brunswick	Aa2	AA-	A (high)
Quebec	Aa2	A+	A (high)
Ontario	Aa1	AA-	AA (low)
Manitoba	Aa1	AA	A (high)
Saskatchewan	Aa1	AAA	AA
Alberta	Aaa	AAA	AAA
British Columbia	Aaa	AAA	AA (high)
Canada	Aaa	AAA	AAA

Capital Markets Issuance Initiatives

The province borrows funds in capital markets on an on-going basis to refinance maturing debt, fund the budgetary deficit, to acquire tangible capital assets, and to lend monies to crown corporations. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the province's borrowing needs. However, the relationship is not exact as there may be a number of cash flow timing differences.

The province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of those funds. These discretionary sinking funds can only be used to repay debt.

The Province of Nova Scotia borrowed $1,948.4 million in long-term debt in 2011. This amount was slightly below the estimate of $1,996.0 million. Given the improvement in the budgetary position in 2011 to the benefit of the province, the Department of Finance pre-borrowed over $600.0 million for future years.

The province's 2011 long-term borrowing program was completed by way of three domestic public debt issues totaling $1,100.0 million, a $750.0 million five-year USD Global issue worth $771.8 million Canadian, the rollover of $46.6 million of a Canada Pension Plan (CPP) debenture with the CPP Investment Board for a 30-year term, and $30.0 million in retail structured notes under the Medium Term Note program. The province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad market demand for Nova Scotia debt issues and achieving lower borrowing costs.

Financial Risk Management

Foreign Currency Risk

In order to more fully access global capital markets, the Province of Nova Scotia maintains the ability to borrow in currencies other than the Canadian dollar. As noted earlier, the province accessed the US dollar global issuance market during 2011 to raise US $750.0 million by way of a five-year debt issue. The proceeds were converted to Canadian dollars, and all interest payments and final principal repayment will be made in Canadian dollars.

The province has mitigated its exposure to foreign currency debt in recent years through the active use of derivatives where appropriate or opportune and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2011, the province's debt continued to have no exposure to foreign currency fluctuations. This variable was unchanged as compared to March 31, 2010.

The province's sinking funds held no assets in US dollars as at March 31, 2011, other than the province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

GAAP requires that all financial amounts in the financial statements be presented in Canadian dollars. Conversion of un-hedged foreign currency amounts outstanding is calculated annually at March 31. That conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 71, the foreign exchange gains or losses on long-term financial items are amortized over the remaining life of the related item. At March 31, 2011, unamortized foreign exchange was in a net gain position for the province of $167.5 million.

Interest Rate Risk

As a net debtor in financial markets, the province is exposed to the risks posed by movements in interest rates. The province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the province of its gross debt and asset portfolios.

The debt portfolio's exposure to floating interest rates increased to 14.3 per cent for the fiscal year ended March 31, 2011 (up from 10.6 per cent at March 31, 2010). The province is able to exercise control of this variable in the portfolio by maintaining access to capital markets and through the use of derivatives. With 85.7 per cent of the total principal in fixed interest rate form (down from 89.4 per cent at March 31, 2010), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2011, the average term to maturity of the gross debt portfolio stood at 11.0 years, 0.4 year shorter than a year earlier.

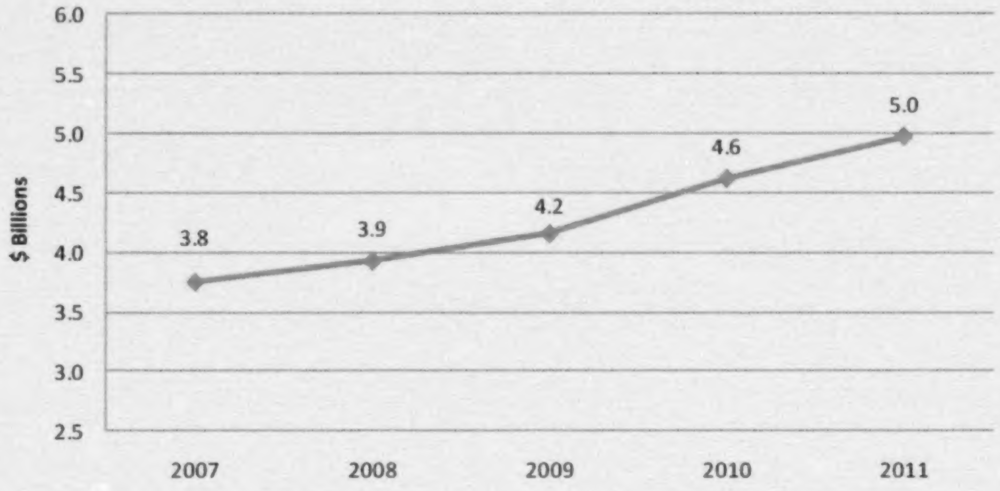
Non-Financial Assets

Non-financial assets are a component of the province's financial position and are assets to be used during the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include supplies inventories and prepaid expenses. Total non-financial assets increased by $351.3 million from $4.6 billion at the end of 2010 to $5.0 billion at the end of 2011. Over the past five years, total non-financial assets have increased from $3.8 billion at the end of 2007 to $5.0 billion at the end of 2011, primarily in the form of tangible capital asset acquisitions.

Non-Financial Assets
($ thousands)

	Actual 2011	Percentage of total	Actual 2010	Percentage of Total	Variance Increase (Decrease)
Tangible Capital Assets	4,876,924	98.2%	4,522,719	98.0%	354,205
Inventories of Supplies	56,732	1.1%	62,430	1.3%	(5,698)
Prepaid Expenses	33,402	0.7%	30,623	0.7%	2,779
Total Non-Financial Assets	4,967,058	100.0%	4,615,772	100.0%	351,286

Non-Financial Assets - 5 Year Trend



Tangible Capital Assets

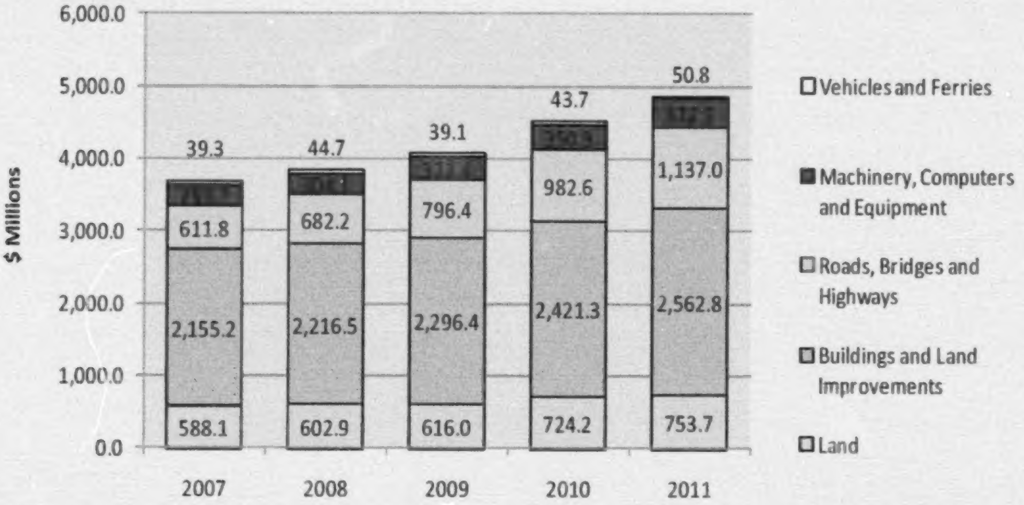
The net book value (cost less accumulated amortization) of tangible capital assets is a significant asset to the province, totaling $4.9 billion at the end of 2011, an increase of $354.2 million from $4.5 billion at the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, and hospitals, as well as a large number of leased schools and the correctional forensic facility.

Tangible Capital Assets (Net Book Value)

($ thousands)

	Actual 2011	Percentage of Total	Actual 2010	Percentage of Total	Variance Increase (Decrease)
Land	753,744	15.5%	724,227	16.0%	29,517
Buildings and Land Improvements	2,562,826	52.6%	2,421,275	53.5%	141,551
Roads, Bridges and Highways	1,137,049	23.3%	982,611	21.7%	154,438
Machinery, Computers and Equipment	372,514	7.6%	350,897	7.8%	21,617
Vehicles and Ferries	50,791	1.0%	43,709	1.0%	7,082
Total Tangible Capital Assets	4,876,924	100.0%	4,522,719	100.0%	354,205

Tangible Capital Assets - 5 Year Trend

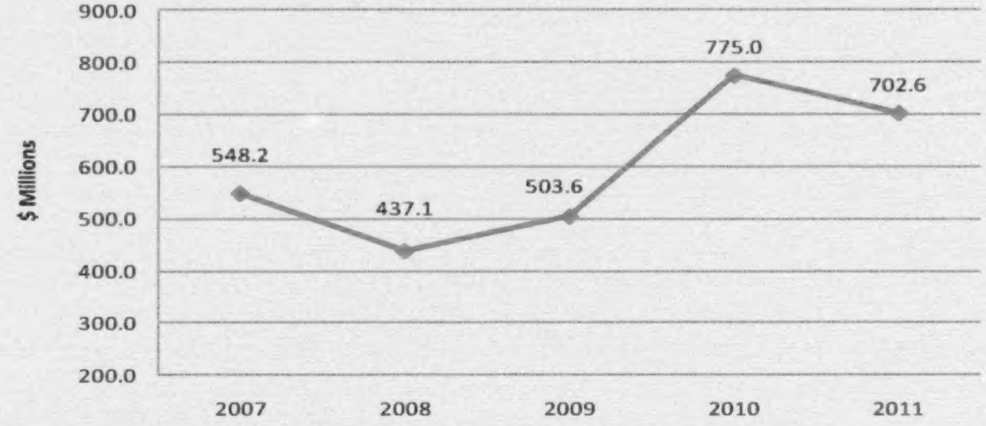


Acquisition of Tangible Capital Assets

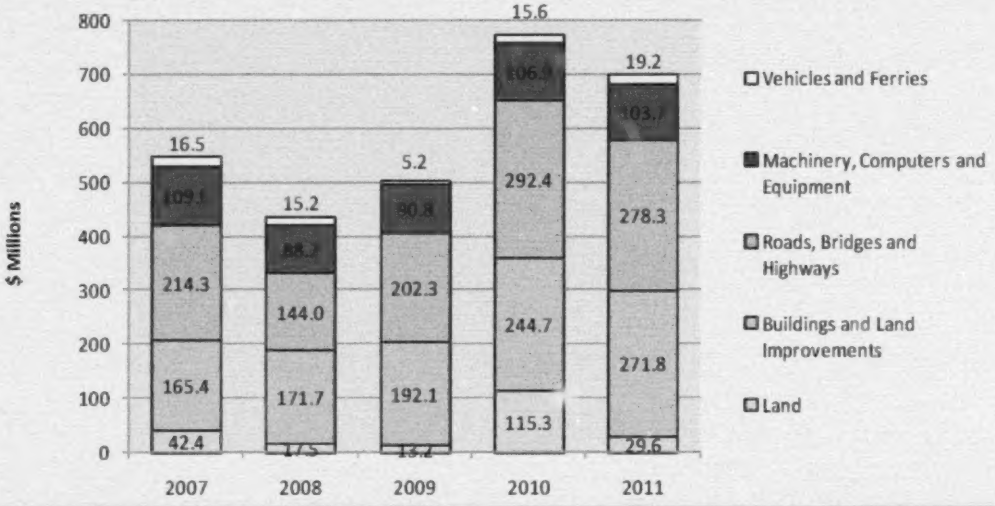
Current year acquisitions totaled $702.6 million ($775.0 million in 2010). Additions to the Buildings and Land Improvements category totaled $271.8 million ($244.7 million in 2010), of which $144.2 million related to the construction and improvement of buildings by the General Revenue Fund, $81.2 million related to district health authorities, and $43.3 million related to social housing. $3.1 million related to various other governmental units.

Total investments in land were $29.6 million ($115.3 million in 2010) and total investments in Roads, Bridges and Highways were $278.3 million ($292.4 million in 2010). Additions to Machinery, Computers and Equipment during the current year were $103.7 million ($106.9 million in 2010), of which $49.8 million was attributable to the General Revenue Fund, $47.5 million to district health authorities, and $6.4 million to various other governmental units. Over the past five years, acquisitions of tangible capital assets have ranged from a low of $437.1 million in 2008 to a high of $775.0 million in 2010.

Tangible Capital Assets (Acquisitions at Gross Cost)



5 Year Trend (By TCA Category)



Cash Flows

The province records its transactions on an accrual basis in accordance with generally accepted accounting principles (GAAP) for the public sector, the timing of which may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 68 of this publication details the increase or decrease in the province's net cash position in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

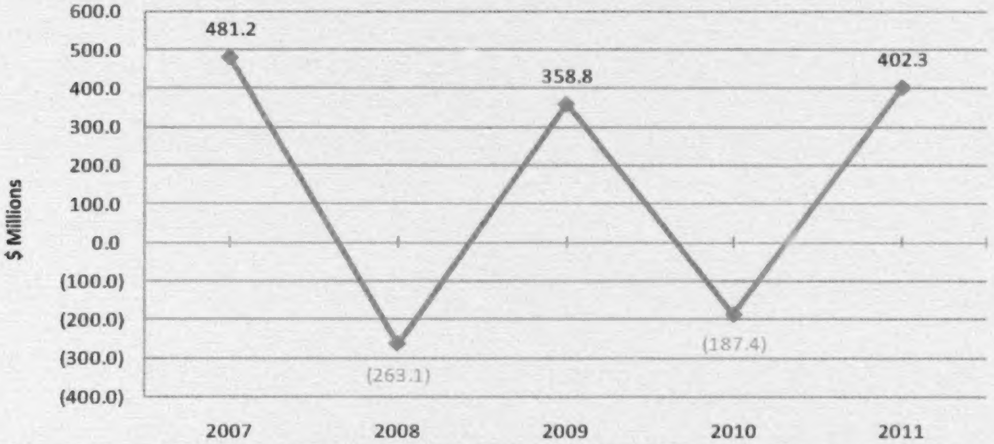
During 2011, the province's cash position increased by $402.3 million. Cash inflows were generated primarily from the issuance of $2.3 billion of debt and $253.4 million in operating activities. These inflows were partly offset by $987.3 million of debt repayments, $702.6 million in gross acquisitions of tangible capital assets, and $521.7 million in investments. Other net cash inflows totaled $60.5 million.

Cash Flows by Category

($ thousands)

	Actual 2011	Actual 2010	Variance Increase (Decrease)
Operating	253,386	(271,962)	525,348
Investing	(299,978)	(346,856)	46,878
Capital	(700,612)	(751,780)	51,168
Financing	1,149,513	1,183,234	(33,721)
Net Inflows (Outflows)	402,309	(187,364)	589,673

Net Cash Flows - 5 Year Trend



Risk

The province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements (page 73 of this publication). Financial risks, including foreign currency risk and interest rate risk, are also discussed on page 33 of this publication.

Selected Highlights of the General Revenue Fund

for the fiscal year ended March 31, 2011

Selected Highlights of the General Revenue Fund
($ thousands)

	Estimate 2011	Actual 2011	Actual 2010 *(as restated)*
General Revenue Fund *			
Ordinary Revenue	7,623,118	8,060,342	7,425,995
Fees and Other Charges	62,537	70,103	68,666
Ordinary Recoveries	616,284	607,348	616,976
Sinking Fund Earnings	89,092	102,234	92,188
	8,391,031	8,840,027	8,203,825
Less: Departmental Expenses	8,021,916	7,873,722	7,960,465
Tax Credits and Rebates	54,800	48,860	—
Pension Valuation Adjustment	8,448	(25,696)	86,410
Debt Servicing Costs	959,197	843,149	822,744
	9,044,361	8,740,035	8,869,619
	(653,330)	99,992	(665,794)
Consolidation and Accounting Adjustments for the General Revenue Fund and Governmental Units			
General Revenue Fund Consolidation Adjustments	92,803	493	2,535
Health and Hospital Boards Operations	—	44,578	22,094
School Board Operations	(6,035)	7,534	10,186
Special Purpose Funds	(2,870)	(6,018)	2,101
Other Organizations	(1,224)	65,303	1,633
	82,674	111,890	38,549
Net Income from Government Business Enterprises			
Nova Scotia Gaming Corporation	116,400	123,840	127,160
Nova Scotia Liquor Corporation	223,459	223,159	219,363
Other Enterprises	8,714	10,220	12,208
	348,573	357,219	358,731
Provincial Surplus (Deficit)	(222,083)	569,101	(268,514)

* *The General Revenue Fund is comprised of the province's departments and public service units, but excludes other governmental units and government business enterprises owned or controlled by the province.*

Revenue — General Revenue Fund

In total, revenue of the General Revenue Fund for the year ending March 31, 2011 was $449.0 million or 5.4 per cent higher than estimate and $636.2 million or 7.8 per cent higher than the prior year's actual revenue. The table below shows the current year estimate, the current and prior year actual revenues, and the current year actual variances from estimate and from prior year actual. The analysis that follows this table includes explanations, by revenue source, for the most significant variances.

Revenue
($ thousands)

	Estimate 2011	Actual 2011	Actual 2010	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Provincial Sources			*(as restated)*		
Tax Revenue					
Personal Income Tax	1,896,905	1,957,829	1,827,643	60,924	130,186
Corporate Income Tax	343,620	408,687	362,886	65,067	45,801
Harmonized Sales Tax	1,413,115	1,478,876	1,187,177	65,761	291,699
Tobacco Tax	193,847	211,856	199,149	18,009	12,707
Motive Fuel Tax	248,594	255,395	248,128	6,801	7,267
Other Provincial Revenue					
Registry of Motor Vehicles	108,720	112,281	111,763	3,561	518
Petroleum Royalties	173,640	172,683	125,634	(957)	47,049
Offshore Licenses Forfeitures	—	433	14,789	433	(14,356)
Other Provincial Sources	262,726	312,110	294,998	49,384	17,112
TCA Cost Shared Revenue	9,650	14,392	12,027	4,742	2,365
Prior Years' Adjustments	—	212,553	47,415	212,553	165,138
Fees and Other Charges	62,537	70,103	68,666	7,566	1,437
Ordinary Recoveries	293,347	304,648	304,752	11,301	(104)
Gain on Disposal of Crown Assets	—	—	14,943	—	(14,943)
Investment Income					
Interest Revenue	95,304	73,472	51,426	(21,832)	22,046
Sinking Fund Earnings	89,092	102,234	92,188	13,142	10,046
Total Provincial Sources	5,191,097	5,687,552	4,963,584	496,455	723,968
Federal Sources					
Equalization Payments	1,360,722	1,360,723	1,464,935	1	(104,212)
Canada Health Transfer	724,564	728,602	700,137	4,038	28,465
Canada Social Transfer	307,575	309,233	301,978	1,658	7,255
Crown Share	33,498	29,717	79,386	(3,781)	(49,669)
Offshore Accord	227,225	227,225	180,072	—	47,153
Other Federal Sources	59,025	60,983	32,246	1,958	28,737
Wait Times Reduction Transfer	6,879	6,916	6,956	37	(40)
C48 Infrastructure Trust Funds	—	490	9,416	490	(8,926)
C52 Trust Funds	3,415	2,863	39,619	(552)	(36,756)
Knowledge Infrastructure Program	38,003	32,661	10,331	(5,342)	22,330
TCA Cost Shared Revenue	116,091	92,072	108,772	(24,019)	(16,700)
Ordinary Recoveries	322,937	302,700	312,224	(20,237)	(9,524)
Prior Years' Adjustments	—	(1,710)	(5,831)	(1,710)	4,121
Total Federal Sources	3,199,934	3,152,475	3,240,241	(47,459)	(87,766)
Total Revenues	8,391,031	8,840,027	8,203,825	448,996	636,202

Revenue Variance Analysis — General Revenue Fund

Personal Income Tax

Personal Income Tax (PIT) revenue was $60.9 million or 3.2 per cent higher than estimate and $130.2 million or 7.1 per cent higher than the prior year, driven by stronger growth in salaries and wages due to improvements in labour market conditions as the economy rebounds from the recession. The increase in personal taxable income is partially offset by the increased costs of personal income tax credits and a return to a declining share of national personal taxable income.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was $65.1 million or 18.9 per cent higher than estimate and $45.8 million or 12.6 per cent higher than the prior year. The increases largely reflect a return to pre-recession levels of corporate taxable income growth, although at a slower pace than on a national basis. Large losses experienced by corporations as a result of the economic downturn were no longer a major factor influencing corporate taxable income. National corporate taxable income was greater relative to the assumptions in the budget reflecting a stronger than anticipated recovery following significant declines in 2008. In addition, the share of small business income as a percentage of taxable income decreased as losses by corporations paying the general corporate tax rate were used in 2008 and 2009. Offsetting these positive factors is a decline in the province's share of national corporate taxable income and deterioration in the level of corporate profits in Nova Scotia compared to national trends. The timing in the filing of offshore CIT by one of the Sable Offshore Energy Project interest holders resulted in a positive variance of $25.3 million.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was $65.8 million or 4.7 per cent higher than estimate and $291.7 million or 24.6 per cent higher than the prior year primarily as a result of the two percentage point increase in the HST rate that became effective on July 1, 2010. In addition, strong growth in both the consumer spending and housing (mainly residential housing) bases in 2010 contributed to the variance.

Tobacco Tax

Tobacco Tax revenue was $18.0 million or 9.3 per cent higher than estimate and $12.7 million or 6.4 per cent higher than the prior year. Consumption of legal tobacco products increased in fiscal 2011, and the impact of a price increase implemented in 2009 continues to provide strong revenues. Improved compliance and a reduction in the volume of illegal tobacco products making their way into the provincial market are believed to be significant factors as well. Consumption of legal tobacco products was greater than the estimate, in which a decline in consumption was projected compared to fiscal 2010 as a result of higher prices. The impact of illegal tobacco product consumption has weakened over the past two fiscal years. Consumption of fine cut tobacco is also on the rise suggesting the possible substitution away from cigarettes, which are more heavily taxed.

Petroleum Royalties

Offshore Petroleum Royalties were $1.0 million or 0.6 per cent lower than estimate and $47.0 million or 37.4 per cent higher than the prior year. This reflects a rebound in the decline experienced last year due to the capital and operating costs incurred in fiscal 2010 for the drilling of a new well and planned maintenance on the Sable Offshore Energy Project. The reduced costs were offset by declining production of natural gas.

Offshore Licenses Forfeitures

Offshore License holders forfeited $0.4 million in exploration licenses in the current year. Forfeiture is not unusual given the unpredictable nature of the offshore industry. The province's accounting policy is to record forfeiture revenue when a notice of forfeiture is given. Offshore Licenses Forfeitures are not budgeted because they cannot be reasonably predicted. Forfeiture revenue was $14.4 million or 97.1 per cent lower than the prior year, mainly due to fewer active licenses being in force and only one license being forfeited in fiscal 2011.

Other Provincial Sources

Other Provincial Sources were $49.4 million or 18.8 per cent higher than estimate and $17.1 million or 5.8 per cent higher than the prior year mainly due to an $11.7 million tobacco settlement in fiscal 2011 that was not budgeted, $6.0 million increase in the large corporations capital tax, $4.4 million increase in tax on insurance premiums, $2.6 million in levies on private sale of used vehicles, and $1.0 million increase in licenses and fees for the Nova Scotia Securities Commission, offset by a decrease in capital tax on non-financial institutions of $8.6 million.

Prior Years' Adjustments — Provincial Sources

Prior Years' Adjustments (PYA) from Provincial Sources of $212.6 million reflected updates to federal government information on increases in forecasted tax yields of personal and corporate income taxes, revisions to HST forecasts for open years, and the large corporation capital tax. The adjustments were also affected by revisions to offshore royalty revenue forecasts for prior years. Provincial PYA revenue was $165.1 million or 348.3 per cent higher than the previous fiscal year primarily as a result of better performance in personal and corporate income taxes in 2009 than was forecasted in fiscal 2010.

PYAs are not budgeted because they cannot be reasonably estimated. The sources of the PYA revenue in the current fiscal year were attributable to: $88.3 million from personal income tax as a result of wage growth and the province's share of national taxable income performing better than expected during the recession - particularly in 2009, $64.4 million from corporate income tax as a result of corporate taxable income being at higher levels in 2009 than originally forecasted, $25.8 million from harmonized sales tax, $24.3 million from offshore petroleum royalties, and $9.8 million from large corporations capital tax as a result of base growth offsetting the phase-out of the capital tax rate. The current year and PYA revenues are reported on Schedule 1 (page 85) as follows:

($ thousands)	**2011**			**2010**		
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Personal Income Tax	1,957,829	88,230	2,046,059	1,827,643	40,620	1,868,263
Corporate Income Tax	408,687	64,366	473,053	362,886	(37,610)	325,276
Harmonized Sales Tax	1,478,876	25,818	1,504,694	1,187,177	55,257	1,242,434
Petroleum Royalties	172,683	24,325	197,008	125,634	(15,574)	110,060
Large Corporations Tax *	32,727	9,814	42,541	41,284	4,391	45,675

** Included in Other Tax Revenue on Schedule 1 of the consolidated financial statements*

Interest Revenue

Interest Revenue was $21.8 million or 22.9 per cent lower than estimate primarily as a result of a change in the presentation of certain interest rate swaps. The underlying interest revenue associated with these derivative contracts was budgeted in its un-hedged form of fixed interest rate exposure. The impact of the swaps, which was budgeted in debt servicing costs, effectively changed the associated interest revenue from a fixed to a floating basis. In fiscal 2011 (and restated for the prior year), this net exposure was reclassified and recorded within interest revenue to reflect the province's policy of applying hedge accounting to effective hedges.

Interest Revenue was $22.0 million or 42.9 per cent higher than the prior year mainly due to slightly higher interest rates, increased lending to the long-term care sector, and increased lending by the Industrial Expansion Fund.

Sinking Fund Earnings

Sinking Fund Earnings were $13.1 million or 14.8 per cent higher than estimate and $10.0 million or 10.9 per cent higher than the prior year mainly as a result of additional earnings from the realized gains on bonds sold throughout the year. These gains are not included in the estimate as the sales are not normally planned at the beginning of the year. Additional earnings were also generated from the interest received on swaps offset by the interest paid on swaps, which amounted to a modest net increase from the prior year.

Equalization

Equalization payments are based on a one-estimate/one-payment system that is not subject to re-estimation during the fiscal year. As a result, actual revenue in fiscal 2011 matched the estimated amount. Equalization payments were $104.2 million or 7.1 per cent lower than the prior year. The primary factor for the reduction is the inclusion of a $74.2 million payment in fiscal 2010 that was not part of the federal government's transfer protection payment in fiscal 2011.

Crown Share

Crown Share revenue was $3.8 million or 11.3 percent lower than estimate and $49.7 million or 62.6 per cent lower than the prior year. The prior year revenue reflected the recommendation of the Crown Share Adjustment Expert Panel and was not reflective of the low natural gas price environment. Crown Share payments arise from the resolution of the federal government's statutory obligation to pay Nova Scotia its portion of Crown Share revenues for offshore projects.

Offshore Accord

Offshore Accord payments are calculated as part of the Equalization program and are therefore subject to the one-estimate/one-payment system and are not re-estimated during the fiscal year. The Offshore Accord payment was $47.2 million or 26.2 per cent higher than the prior year primarily as a result of the inclusion of higher offshore natural resource revenues that are lagged by two years in the calculation of the payments.

Other Federal Sources

Other Federal Sources of revenue were $2.0 million or 3.3 per cent higher than estimate and $28.7 million or 89.1 per cent higher than the prior year as a result of funding from the Build Canada Fund increasing by $27.9 million over last year.

C-48 Infrastructure Trust Funds

The federal government created trust funds with the passing of Bill C-48. The C-48 Funds' revenues were $8.9 million or 94.8 per cent lower than the prior year, reflecting the expiry of the trusts. The province draws down revenue from the federal trusts to match annual provincial spending in the areas covered by the trust funds. The funds were completely drawn down by the end of the fiscal year.

C-52 Trust Funds

The federal government created trust funds with the passing of Bill C-52. The C-52 Trust Fund revenues were $36.8 million or 92.8 per cent lower than the prior year. These trusts are nearing the end of their expected funding lives. The province draws down revenue from the federal trusts to match annual provincial spending in the three areas covered by the trust funds.

Knowledge Infrastructure Program

Knowledge Infrastructure Program (KIP) is a federal/provincial initiative to provide post secondary educational institutions with funding for infrastructure projects. KIP revenue was $5.3 million or 14.1 per cent lower than estimate and $22.3 million or 216.1 per cent higher than the prior year. Fiscal 2011 was the second year of this two-year funding initiative, which saw the majority of the project costs incurred in this year. The province recognized KIP revenue once provincial expenditures under this program were incurred.

TCA Cost Shared Revenue — Federal Sources

Federal TCA Cost Shared Revenue was $24.0 million or 20.7 per cent lower than estimate and $16.7 million or 15.4 per cent lower than the prior year. This was primarily due to a $15.0 million reduction in cost shared capital projects in the Department of Transportation & Infrastructure Renewal as a result of decreased highway stimulus funding, $3.0 million reduction in the Department of Tourism, Culture, and Heritage due to delays in the Bluenose II restoration project, and $6.0 million reduction in the Department of Health as a result of decreases in the Infoway computer software project.

Ordinary Recoveries — Federal Sources

Ordinary Recoveries from Federal Sources were $20.2 million or 6.3 per cent lower than estimate and $9.5 million or 3.1 per cent lower than the prior year primarily due to decreases in the funding for Labour Market and Labour Market Development agreements, OHS agreements, and early childhood programs.

Prior Years' Adjustments — Federal Sources

The current year and PYA revenues are reported on Schedule 1 (page 85) as follows:

($ thousands)	**2011**			**2010**		
	Current	**PYA**	**Total**	**Current**	**PYA**	**Total**
Canada Health Transfer	728,602	(2,173)	726,429	700,137	(5,196)	694,941
Canada Social Transfer	309,233	463	309,696	301,978	(635)	301,343

Departmental Expenses — General Revenue Fund

Overall, Departmental Expenses of the General Revenue Fund for the year ended March 31, 2011 were $148.2 million or 1.8 per cent lower than estimate. The table below shows the current year estimate, the current and prior year actual expenses, and the current year variance from actual to estimate. The analysis that follows this table includes explanations, by department, for the most significant variances.

Departmental Expenses
($ thousands)

Department	**Estimate 2011**	**Actual 2011**	**Actual 2010** *(as restated)*	**Actual vs Estimate Increase (Decrease)**
Agriculture	60,879	64,274	70,978	3,395
Community Services	971,562	958,427	944,934	(13,135)
Economic and Rural Development	107,978	80,190	73,356	(27,788)
Education	1,315,365	1,312,490	1,279,286	(2,875)
Assistance to Universities	60,643	93,545	450,359	32,902
Energy	35,943	30,110	24,677	(5,833)
Environment	52,777	47,427	42,581	(5,350)
Finance	33,870	31,076	27,123	(2,794)
Fisheries and Aquaculture	13,231	12,818	8,654	(413)
Health	3,634,935	3,591,335	3,371,565	(43,600)
Health Promotion and Protection	88,383	104,691	85,042	16,308
Justice	289,487	278,922	277,805	(10,565)
Labour and Workforce Development	182,918	169,532	146,328	(13,386)
Natural Resources	95,441	93,776	92,373	(1,665)
Public Service	194,467	165,905	184,026	(28,562)
Seniors	1,902	1,734	1,903	(168)
Service Nova Scotia and Municipal Relations	312,304	292,630	278,665	(19,674)
Tourism, Culture and Heritage	61,065	60,736	62,930	(329)
Transportation and Infrastructure Renewal	397,343	405,067	378,286	7,724
Restructuring Costs	111,423	78,667	159,594	(32,756)
Loss on the Disposal of Crown Assets	—	370	—	370
Total Departmental Expenses	8,021,916	7,873,722	7,960,465	(148,194)

Request for final additional appropriations for year-end adjustments must be submitted to the Governor-in-Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 54 and 55.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. This table provides the departmental expenses by department prior to the consolidation, as compared to the prior fiscal year and the budget, which are the estimates as approved by the Legislature in the annual *Appropriations Act*.

NOVA SCOTIA

Expense Variance Analysis — General Revenue Fund

Agriculture

The Department of Agriculture was $3.4 million or 5.6 per cent higher than estimate due to a $2.5 million increase in Nova Scotia Agricultural College expenses relating to increased enrollment. The Nova Scotia Farm Loan Board had a $0.5 million increase related to allowance for doubtful accounts. Other departmental expenses increased $0.4 million.

Community Services

The Department of Community Services was $13.1 million or 1.4 per cent lower than estimate as a result of $11.8 million in savings from delays in Early Childhood programs funded from the Federal Early Learning and Child Care Trust Funds, $5.8 million in savings from lower salaries and other administrative costs due primarily to staff vacancies across the department, savings of $3.3 million in Grants to the Children's Aid Societies due to the transfer of the societies to the province, and savings of $2.5 million in Child Welfare Maintenance for Children costs due to a reduction in caseload accounts.

These savings were partially redirected to offset pressures of $4.7 million in Services for Persons with Disabilities due to challenges with older Residential Care Facilities and increasing costs related to the Direct Family Support program, $2.3 million in Income Assistance to address rising case loads and special needs costs, $1.7 million in Pharmacare due to increased utilization, and $1.6 million to offset other pressures.

Economic and Rural Development

The Department of Economic and Rural Development was $27.8 million or 25.7 per cent lower than estimate. The Manufacturing and Processing Investment Credit was re-profiled to the Productivity Investment Program to encourage investment in technologically advanced machinery and equipment, as well as a targeted workplace training program for employed workers. The re-profiling caused a delay in program uptake resulting in the budget being $21.8 million under spent. The Industrial Expansion Fund was under spent by $16.3 million due to timing of investments.

The decreased spending was offset by grants to Halifax International Airport Authority of $5.0 million, Trade Centre Ltd. of $4.8 million, and various other items totaling $0.5 million.

Assistance to Universities

Assistance to Universities was $32.9 million or 54.3 per cent higher than estimate primarily due to the $36.9 million payment of 2011-12 operating grants to two universities prior to year-end. An additional $0.3 million was provided for the collaborative delivery of a an Education Ph.D. program, and other items totaled $0.7 million.

The increased spending was offset by Knowledge Infrastructure Program (KIP) funding of $5.0 million, which was deferred to the next fiscal year.

Energy

The Department of Energy was $5.8 million or 16.2 per cent lower than estimate primarily due to the wind down of Conserve Nova Scotia and reduced uptake in the Energuide programs within Conserve Nova Scotia. The mandate of Conserve Nova Scotia was replaced by a 3-year framework for a non-electric energy efficiency program, which consists of funding to Efficiency Nova Scotia Corporation.

Environment

The Department of Environment was $5.4 million or 10.1 per cent lower than estimate. The majority of this variance was due to a timing issue in the ecoNova Scotia program resulting in $4.1 million additional dollars being spent in the prior year and an equal reduction in spending in the current fiscal year. Various other variances totaled $1.3 million.

Finance

The Department of Finance was $2.8 million or 8.2 per cent lower than estimate. This was primarily due to savings from staff vacancies and amortization from changes in the estimated ready-for-use dates of tangible capital asset projects.

Health

The Department of Health was $43.6 million or 1.2 per cent lower than estimate. Capital grants were lower by $12.0 million due to delays in projects. Pharmaceutical Services were under budget by $8.5 million due to lower than anticipated utilization as well as the use of generic drugs. Provincial Programs and Initiatives were under spent by $6.3 million due to computer project timing delays, reduction in project costs, and a decrease in amortization due to assets not available for use in the fiscal year. Payments to physicians were $5.5 million less than estimate due to savings from lower than projected utilization. Other District Health Authority Initiatives were under spent by $4.9 million due to vacancies, lower than anticipated call volumes with Health Link, and a reduction in other program costs. Insured Services were $4.7 million less than budget due to lower than anticipated out of province inpatient volumes. Long-Term Care was under spent by $4.5 million due to delays in opening new beds. Administration had savings of $3.9 million due to operational efficiencies and staff vacancies. Home Care spent $2.0 million less than estimate due to recruitment and retention funding no longer required.

The savings were partially offset by $8.7 million more than budgeted for grants to the District Health Authorities for operating pressures as well as wage increases.

Health Promotion and Protection

Health Promotion and Protection was $16.3 million or 18.5 per cent higher than estimate. The Building Facilities and Infrastructures Together (B-FIT) initiative was over budget by $17.3 million due to the recognition of grants for construction projects earlier than originally planned. Various other items totaled $1.4 million.

These increases were offset by $1.4 million from operational efficiencies and staff vacancies as well as a $1.0 million saving due to project timing delays.

Justice

The Department of Justice was $10.6 million or 3.6 per cent lower than estimate. Expenses for the Royal Canadian Mounted Police contracts and officers were under spent by $5.4 million. Operating expenses were under budget by $5.2 million primarily due to vacancies and other operational efficiencies across the department.

Labour and Workforce Development

The Department of Labour and Workforce Development was $13.4 million or 7.3 per cent lower than estimate. The program grants received from the federal government for the Labour Market Agreement were over $7.0 million less than anticipated. This relates to unspent funding from the prior year being spread over three fiscal years rather than one fiscal year. Combined with the current year programs being under spent, the result was the program being under spent by approximately $8.0 million in total. Operating expenses were under budget by $3.6 million primarily due to vacancy management and operational efficiencies across the department. Various other items totaled $1.8 million.

Public Service

In total, the Public Service was $28.6 million or 14.7 per cent lower than estimate. The significant variances, which total $25.8 million, within this appropriation include the following (various other items across 19 offices totaled $2.8 million):

Chief Information Office

The Chief Information Office (CIO) worked with government to maximize investments and efficiencies which resulted in additional savings throughout the Office. The CIO was $3.4 million or 15.3 per cent lower than estimate due to savings in temporary staff vacancies of $1.4 million, Corporate Telecom services of $1.1 million, Computer Hardware Maintenance/Leases of $0.8 million, and Professional Services of $0.1 million.

Communications Nova Scotia

Communications Nova Scotia was $1.9 million or 21.9 per cent lower than estimate primarily related to overall operating efficiencies. In particular, there were delays in implementing some programs and an increase in the amount of project work that was completed in-house rather than by external contractors.

Executive Council

Executive Council was $11.7 million or 49.7 per cent lower than estimate. This variance was primarily a result of unallocated funds within the Treasury Board Office related to the Change and Innovation Fund, more specifically $3.3 million unallocated in the Investment in Savings, $3.0 million for the Emergency Department Protection Fund, $2.2 million transferred to fund approved capital projects for Service Nova Scotia and Municipal Relations, Finance, CIO, and Health related initiatives, and $2.0 million for Community Schools. Other savings totaled $1.2 million.

Legislative Services

Legislative Services was $3.9 million or 13.9 per cent lower than estimate. Changes to the new House of Assembly Management Commission regulations, specifically to the franking and travel payments as well as other MLA allowances, resulted in a one time savings in Legislative Expenses of $2.1 million. Elections Nova Scotia savings of $0.8 million related to less than anticipated funding requirements associated with the legislative review and rewriting of the election and electoral finance laws and the development of an electoral management system. Additional savings were found in the Office of the Speaker, Office of Legislative Counsel, and Ministers' Salaries and Expenses totaling $1.0 million as a result of vacancies and operating efficiencies.

Nova Scotia Business Inc.

Actual expenses for Nova Scotia Business Inc. were $4.9 million or 18.4 per cent lower than estimate and were related to the Strategic Investment Fund because clients did not meet employee targets for payroll rebates.

Service Nova Scotia and Municipal Relations

Service Nova Scotia and Municipal Relations was $19.7 million or 6.3 per cent lower than estimate. Lower than expected expenditures occurred in the following areas: $8.0 million decrease in Federal Gas Tax based on the Municipal Survey indicating reduced spending needs and $4.4 million in savings from fewer applicants under the Heating Assistance Rebate program. The department realized a total net operational savings of $4.4 million. There was a $1.6 million decrease in the Building Canada Fund and $1.3 million decrease in the Municipal Rural Infrastructure Fund due to municipal project delays.

Transportation and Infrastructure Renewal

Transportation and Infrastructure Renewal was $7.7 million or 1.9 per cent higher than estimate. This variance was primarily due to the following factors: $4.7 million for capital projects that did not meet the thresholds for tangible capital assets and as a result were moved to the operating budget, total gross costs of $4.2 million for unbudgeted repairs as a result of the storm and flood damage in November and December 2010 (of which $2.9 million is estimated to be recovered from the federal government), $3.9 million on additional recoverable work on roads, and $1.5 million for snow and ice control.

The Department's increased spending was partially offset by various operational savings of $4.0 million across the department and savings on amortization of $2.6 million.

Restructuring Costs

Restructuring Costs were $32.8 million or 29.4 per cent lower than estimate. Business Process Re-Engineering was under spent by $29.9 million primarily as a result of items that were budgeted in this area but the actual expenses were recorded as expenses in other appropriations. Additional savings of $2.9 million related to other various initiatives.

Tangible Capital Assets – General Revenue Fund

Gross Capital Purchases

The province's policy is to capitalize the gross cost of its tangible capital assets. Recoveries from outside sources are recognized as revenue in the year the asset is purchased. Under the province's tangible capital assets policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use. Departments are required to budget for tangible capital asset purchases and the resulting amortization from the acquisition of these assets.

The costs of the estimated purchases of tangible capital assets are appropriated as the Capital Purchase Requirements, and the departmental details are noted below.

Gross Capital Purchases
($ thousands)

Department	**Estimate 2011**	**Actual 2011**	**Variance Increase (Decrease)**
Agriculture	490	466	(24)
Community Services	1,450	300	(1,150)
Education	146,460	127,198	(19,262)
Environment	1,500	1,498	(2)
Finance	12,316	12,242	(74)
Fisheries and Aquaculture	39	28	(11)
Health	20,872	11,766	(9,106)
Justice	—	112	112
Labour and Workforce Development	3,038	2,789	(249)
Natural Resources	10,040	11,113	1,073
Public Service	2,700	1,628	(1,072)
Service Nova Scotia and Municipal Relations	1,499	2,925	1,426
Tourism, Culture and Heritage	13,100	6,809	(6,291)
Transportation and Infrastructure Renewal			
Highways and Bridges	310,000	306,517	(3,483)
Buildings and Infrastructure	56,390	28,885	(27,505)
Total Gross Capital Purchases	579,894	514,276	(65,618)

Overall, spending for Capital Purchase Requirements was less than estimate by $65.6 million, primarily as a result of under spending on school construction, other building projects, information technology projects, and road and bridge work.

Amortization

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2011 and in prior years. The estimate for amortization expense is based on the gross cost of tangible capital assets.

Amortization

($ thousands)

Department	Estimate 2011	Actual 2011	Variance Increase (Decrease)
Agriculture	438	320	(118)
Community Services	1,475	1,376	(99)
Education	66,757	64,780	(1,977)
Energy	5	5	—
Environment	202	203	1
Finance	4,706	4,204	(502)
Fisheries and Aquaculture	71	65	(6)
Health	19,814	17,728	(2,086)
Justice	1,332	1,335	3
Labour and Workforce Development	448	374	(74)
Natural Resources	1,084	923	(161)
Public Service	981	800	(181)
Service Nova Scotia and Municipal Relations	2,055	1,524	(531)
Tourism, Culture and Heritage	515	510	(5)
Transportation and Infrastructure Renewal	149,988	146,133	(3,855)
Total Amortization	249,871	240,280	(9,591)

Additional Appropriations

Relative to the *Appropriations Act, 2010* for the fiscal year ended March 31, 2011

($ thousands) **Res**	**Appropriation Area**	**Original Estimate**	**Additional Approved**	**Actual**	**Variance**	**Final Additional Appropriations Required**
	Departmental Expenses					
1	Agriculture	60,879	3,654	64,274	(259)	–
2	Community Services	971,562	–	958,427	(13,135)	–
3	Economic and Rural Development	107,978	–	80,190	(27,788)	–
4	Education	1,315,365	1,273	1,312,490	(4,148)	–
5	Assistance to Universities	60,643	–	93,545	32,902	32,902
6	Energy	35,943	–	30,110	(5,833)	–
7	Environment	52,777	–	47,427	(5,350)	–
8	Finance	33,870	–	31,076	(2,794)	–
10	Fisheries and Aquaculture	13,231	–	12,818	(413)	–
11	Health	3,634,935	–	3,591,335	(43,600)	–
12	Health Promotion and Protection	88,383	16,155	104,691	153	153
13	Justice	289,487	–	278,922	(10,565)	–
14	Labour and Workforce Development	182,918	–	169,532	(13,386)	–
15	Natural Resources	95,441	–	93,776	(1,665)	–
16	Aboriginal Affairs	4,115	–	4,057	(58)	–
17	Chief Information Office	22,037	–	18,668	(3,369)	–
18	Communications Nova Scotia	8,779	–	6,860	(1,919)	–
19	Emergency Management Office of Nova Scotia	6,641	1,150	6,325	(1,466)	–
20	Executive Council	23,506	–	11,821	(11,685)	–
21	FOIPOP Review Office	398	–	398	–	–
22	Government Contributions to Benefit Plans	8,868	–	7,998	(870)	–
23	Government Offices	10,226	–	9,546	(680)	
24	Human Rights Commission	2,200	–	1,868	(332)	–
25	Intergovernmental Affairs	3,522	–	3,181	(341)	
26	Legislative Services	28,242	–	24,339	(3,903)	–
27	Nova Scotia Business Inc.	26,935	–	21,986	(4,949)	–
28	Nova Scotia Police Complaints Commissioner	429	–	426	(3)	–
29	Nova Scotia Securities Commission	2,432	–	2,386	(46)	–
30	Nova Scotia Utility and Review Board	4,004	–	3,934	(70)	–
31	Office of the Auditor General	3,421	–	3,292	(129)	–
32	Office of the Ombudsman	1,649	–	1,553	(96)	–
33	Public Prosecution Service	19,332	461	19,680	(113)	–
34	Public Service Commission	17,731	–	17,587	(144)	
35	Seniors	1,902	–	1,734	(168)	–
36	Service Nova Scotia and Municipal Relations	312,304	–	292,630	(19,674)	–
37	Tourism, Culture and Heritage	61,065	–	60,736	(329)	–
38	Transportation and Infrastructure Renewal	397,343	5,857	405,067	1,867	1,867
39	Restructuring Costs	111,423	–	78,667	(32,756)	–
	Total Departmental Expenses	8,021,916	28,550	7,873,352	(177,114)	34,922

Additional Appropriations *(continued)*

Relative to the *Appropriations Act, 2010* for the fiscal year ended March 31, 2011

($ thousands)

Res	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriations Required
	Other Appropriations					
9	Debt Servicing Costs	959,197	–	843,149	(116,048)	–
40	Tax Credits and Rebates	54,800	–	48,860	(5,940)	–
41	Pension Valuation Adjustment	8,448	–	(25,696)	(34,144)	–
	Total Other Appropriations	1,022,445	–	866,313	(156,132)	–
	Required Additional Appropriations					34,922

	Statutory Capital	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriations Required
42	Capital Purchase Requirements	579,894	–	514,276	(65,618)	–
43	Sinking Fund Installments and Serial Retirements	112,293	4	112,297	–	–
	Total Statutory Capital	692,187	4	626,573	(65,618)	–
	Required Additional Appropriations					–

Note: Section 28 (4) of the *Finance Act* requires that any final additional appropriation required for year-end adjustments be made to Governor-in-Council no later than 15 days after the date of the tabling of the Public Accounts.

Additional Appropriations Approved during 2011

Some additional appropriations were approved during the year, as indicated in the table above. The details of these additional requests are as follows:

($ thousands)

Appropriation Area	Order in Council	Amount
Agriculture	2011-127	3,654
Education	2010-355	1,273
Health Promotion and Protection	2011-127	16,155
Emergency Management Office of Nova Scot	2011-127	1,150
Public Prosecution Service	2011-127	461
Transportation and Infrastructure Renewal	2010-355	2,404
Transportation and Infrastructure Renewal	2010-472	1,606
Transportation and Infrastructure Renewal	2011-127	1,847
Sinking Fund Installments and Serial Retirements	2011-127	4
Total		28,554

Debt Servicing Costs – General Revenue Fund

Debt servicing costs of the General Revenue Fund for the fiscal year ended March 31, 2011 were $843.1 million on a gross basis, $116.0 million or 12.1 per cent lower than estimate and $20.4 million or 2.5 per cent higher than the previous year. The increase over the previous year was primarily due to an increase in the interest costs associated with long-term debt, offset by a decrease in the interest costs associated with pensions, retirement and other obligations.

Contributing to the reduction from estimate was lower than projected interest costs realized on the province's borrowings, lower debt requirements due to the improved operating results during 2011, decreases of $31.3 million and $26.8 million in general interest costs and the interest costs associated with pensions, retirement and other obligations, respectively.

General interest expense in 2011 was $31.3 million lower than estimate primarily as a result of a change in the presentation of certain interest rate swaps. The impact of these derivative contracts was budgeted within debt servicing costs. However, the net exposure of these swaps was reclassified and recorded as part of the associated interest revenue. This change was made to reflect the province's policy of applying hedge accounting to effective hedges.

Debt Servicing Costs
($ thousands)

	Estimate 2011	Actual 2011	Actual 2010 *(as restated)*	Actual vs Estimate Increase (Decrease)
Interest on Long-Term Debt	759,722	701,769	658,844	(57,953)
General Interest	34,518	3,215	3,437	(31,303)
Interest on Pension, Retirement and Other Obligations	164,957	138,165	160,463	(26,792)
Debt Servicing Costs - Gross	**959,197**	**843,149**	**822,744**	**(116,048)**
Less: Sinking Fund Earnings	89,092	102,234	92,188	13,142
Debt Servicing Costs - Net	870,105	740,915	730,556	(129,190)

Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Retirement Fund assets) was $11.9 billion in Canadian dollar equivalents at March 31, 2011 ($10.8 billion as at March 31, 2010).

The Province of Nova Scotia provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 per cent to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the issue. Sinking Fund and Public Debt Retirement Fund assets are used solely for debt retirement.

Outstanding Debentures – (CDN$ Equivalents)
($ thousands)

	Actual 2011	**Actual 2010**
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	1,079,352	1,079,352
Other Issues	13,231,536	11,930,992
Less: Sinking Funds and Public Debt Retirement Fund	(2,394,581)	(2,204,219)
Net Debenture Debt	11,916,307	10,806,125

Annual Borrowing Plan — General Revenue Fund

The *Finance Act*, Section 35, provides for Governor-In-Council approval of an annual borrowing plan submitted by the Minister of Finance. As part of the budget for the 2011 fiscal year, projected borrowing requirements were set at $2.5 billion. The Department of Finance requested authority slightly larger than the borrowing program stated in the 2011 budget in the event that circumstances arose requiring the Department to borrow monies over the projected requirements, or financial markets were favourable and the Department deemed it prudent to pre-borrow for future years.

The Department of Finance borrowed $1,948.4 million in 2011 compared to borrowing requirements of $1,996.0 million estimated in the budget. The borrowing completed in 2011 included $600.0 million of pre-borrowing for the 2012 fiscal year. The decrease in the borrowing requirements in 2011 was due to the following: improvement from a budgeted $222.1 million deficit to a surplus of $569.1 million, net tangible capital asset requirements that were $65.6 million lower than projected, and forecasted capital advances to Crown corporations that were lower than estimate in 2011.

Consolidated Financial Statements

for the fiscal year ended March 31, 2011

Statement of Responsibility
for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance by the Controller in accordance with the accounting principles recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficits, a Consolidated Statement of Change in Net Debt, and a Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in section 19 of the Auditor General Act, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.

Byron Rafuse, CMA
Controller and Associate Deputy Minister

Nova Scotia

Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and accumulated deficits, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles for the public sector and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards required that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Nova Scotia as at March 31, 2011, and its consolidated financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

JR Lapointe

Jacques R. Lapointe, CA
Auditor General

July 21, 2011
Halifax, Nova Scotia

Statement 1

Province of Nova Scotia
Consolidated Statement of Financial Position
As at March 31, 2011
($ thousands)

	2011	2010 *(as restated)*
Financial Assets		
Cash and Short-Term Investments (Note 3)	1,183,863	781,554
Accounts Receivable and Advances	922,518	913,988
Inventories for Resale	8,969	3,824
Loans Receivable (Schedule 3)	1,915,664	1,639,249
Investments (Schedule 3)	86,765	63,202
Investment in Government Business Enterprises (Schedule 6)	62,948	52,728
	4,180,727	3,454,545
Liabilities		
Bank Advances and Short-Term Borrowings	536,862	442,573
Accounts Payable and Accrued Liabilities	1,720,751	1,603,756
Deferred Revenue (Note 4)	395,560	671,251
Accrued Interest	208,522	198,189
Unmatured Debt of Governmental Units (Schedule 4)	12,447,250	11,372,026
Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts	150,069	172,227
Federal Equalization Repayable Loan (Note 6)	60,161	72,193
Pension, Retirement and Other Obligations (Note 7)	1,488,883	1,967,476
	17,008,058	16,499,691
Net Debt	(12,827,331)	(13,045,146)
Non-Financial Assets		
Tangible Capital Assets (Schedule 7)	4,876,924	4,522,719
Inventories of Supplies	56,732	62,430
Prepaid Expenses	33,402	30,623
	4,967,058	4,615,772
Accumulated Deficits	(7,860,273)	(8,429,374)

Accounting Changes (Note 2)
Trust Funds under Administration (Note 8)
Contingencies and Contractual Obligations (Note 12 & Schedule 8)
Direct Guarantees (Schedule 8)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

NOVA SCOTIA

Statement 2

Province of Nova Scotia
Consolidated Statement of Operations and Accumulated Deficits
For the fiscal year ended March 31, 2011
($ thousands)

	Adjusted Estimate 2011	Actual 2011	Actual 2010
Revenue (Schedule 1)			*(as restated)*
Provincial Sources			
Tax Revenue	4,239,802	4,677,158	4,060,509
Other Provincial Revenue	1,260,387	1,471,890	1,374,314
Net Income from Government Business Enterprises (Schedule 6)	348,573	357,219	358,731
Investment Income	182,553	181,741	149,899
	6,031,315	6,688,008	5,943,453
Federal Sources	3,355,820	3,208,876	3,287,309
Total Revenue	9,387,135	9,896,884	9,230,762
Expenses (Schedule 2)			
Agriculture	62,950	65,403	71,321
Community Services	1,046,440	923,433	941,186
Economic and Rural Development	130,704	120,540	128,824
Education	1,651,442	1,682,212	1,654,478
Assistance to Universities	60,643	93,545	450,359
Energy	41,063	34,828	31,282
Environment	102,080	95,662	82,588
Finance	52,959	74,048	62,943
Fisheries and Aquaculture	13,231	13,087	8,930
Health	3,734,245	3,763,124	3,560,083
Health Promotion and Protection	50,311	63,396	43,695
Justice	289,420	277,587	276,187
Labour and Workforce Development	167,033	148,019	127,268
Natural Resources	98,425	95,398	93,949
Public Service	194,492	161,103	173,102
Seniors	1,902	1,734	1,903
Service Nova Scotia and Municipal Relations	313,541	292,471	278,499
Tourism, Culture and Heritage	62,851	61,915	63,793
Transportation and Infrastructure Renewal	401,618	405,710	378,834
Restructuring Costs	111,423	69,391	133,967
Pension Valuation Adjustment	8,448	(25,696)	86,410
Tax Credits and Rebates	54,800	48,860	—
Net Loss on Disposal of Crown Assets	—	609	—
Debt Servicing Costs (Note 10)	959,197	861,404	849,675
Total Expenses (Note 9)	9,609,218	9,327,783	9,499,276
Provincial Surplus (Deficit)	(222,083)	569,101	(268,514)
Accumulated Deficits, Beginning of Year			
As Previously Reported		(8,402,784)	(8,160,860)
Accounting Changes (Note 2)		(26,590)	—
As Restated		(8,429,374)	(8,160,860)
Accumulated Deficits, End of Year		(7,860,273)	(8,429,374)

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 3

Province of Nova Scotia
Consolidated Statement of Changes in Net Debt
For the fiscal year March 31, 2011
($ thousands)

	Adjusted Estimate 2011	Actual 2011	Actual 2010 *(as restated)*
Net Debt, Beginning of Year			
As Previously Reported	(13,045,146)	(13,018,556)	(12,318,239)
Accounting Changes (Note 2)	–	(26,590)	–
As Restated	(13,045,146)	(13,045,146)	(12,318,239)
Changes in the Year *			
Provincial Surplus (Deficit)	(222,083)	569,101	(268,514)
Acquisition and Transfers of Tangible Capital Assets	(579,894)	(702,639)	(774,988)
Amortization of Tangible Capital Assets	249,871	345,291	312,578
Disposal of Tangible Capital Assets	–	3,143	10,071
Increase in Inventories of Supplies	–	5,698	(5,926)
Increase in Prepaid Expenses	–	(2,779)	(128)
Total Changes in the Year	(552,106)	217,815	(726,907)
Net Debt, End of Year	(13,597,252)	(12,827,331)	(13,045,146)

* *Except for the Provincial Surplus figure, the estimates for items shown as Changes in the Year reflect the activity of the General Revenue Fund only*

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Statement 4

Province of Nova Scotia
Consolidated Statement of Cash Flow
For the fiscal year March 31, 2011
($ thousands)

	2011	2010 *(as restated)*
Cash Inflow (Outflow) from the following activities:		
Operating		
Provincial Surplus (Deficit)	569,101	(268,514)
Sinking Fund and Public Debt Retirement Fund Earnings	(102,234)	(92,188)
Amortization of Premiums and Discounts on Unmatured Debt	(6,245)	(4,685)
Amortization of Tangible Capital Assets	345,291	312,578
Net Income from Government Business Enterprises	(357,219)	(358,731)
Profit Distributions from Government Business Enterprises	346,999	346,523
Loss on Disposal of Tangible Capital Assets	1,116	(13,137)
Net Change in Other Items (Note 11)	(543,423)	(193,808)
	253,386	(271,962)
Investing		
Repayment of Loans	200,201	185,663
Advances and Investing	(521,782)	(582,681)
Write-offs	21,603	50,162
	(299,978)	(346,856)
Capital:		
Acquisition of Tangible Capital Assets	(702,639)	(774,988)
Proceeds from Disposal of Tangible Capital Assets	2,027	23,208
	(700,612)	(751,780)
Financing:		
Debentures Issued	2,265,042	1,881,165
Repayment of Federal Equalization Repayable Loan	(12,032)	(12,032)
Foreign Currency Swaps and Adjustments	(28,082)	(32,855)
Sinking Fund (Installments) Withdrawals	(88,128)	99,681
Repayment of Debentures and Other Long-term Obligations	(987,287)	(752,725)
	1,149,513	1,183,234
Cash (Outflows) Inflows	402,309	(187,364)
Cash Position, Beginning of Year	781,554	968,918
Cash Position, End of Year	1,183,863	781,554
Cash Position Represented by:		
Cash and Short-Term Investments	1,183,863	781,554

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2011

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1. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector that for purposes of the province's financial statements are represented by the Public Sector Accounting (PSA) standards of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA and International Federation of Accountants accounting standards or pronouncements.

These consolidated financial statements have been prepared using the following significant accounting policies:

(a) Government Reporting Entity

The government reporting entity (GRE) is comprised of the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the province's proportionate share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trusts administered by the province are excluded from the reporting entity and are disclosed in Note 8 for information purposes only.

(b) Principles of Consolidation

A GU is a governmental organization that is not a GBE. GUs include government departments, public service units, funds, agencies, service organizations, boards and government not-for-profit organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization accounts and transactions are eliminated.

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis which does not require any accounting policy adjustments. The total net equity of all GBEs is included in the Statement of Financial Position. The total net income from GBEs is reported as a separate item in the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. Where significant, the government's interest in partnerships is accounted for on the proportionate consolidation method.

A complete listing of the organizations within the GRE is provided in Schedule 10.

(c) Presentation of Estimates

Each year, the province prepares an annual budget, referred to as the Estimates, which represents the financial plan of the province presented by the Government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the Appropriations Act, are prepared primarily for the management and oversight of the General Revenue Fund based upon the policies, programs, and priorities of the Government. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For comparison with these consolidated financial statements, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the consolidated entities.

(d) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, program recoveries, user fees, and investment income. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Tax, are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the amount estimated, after considering adjustments for tax credits and other adjustments from the federal government.

Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met. Transfers are recorded as deferred revenue if they are restricted for a stated purpose, such as a specific program or the purchase of tangible capital assets.

Expenses

Expenses are recorded on the accrual basis and are reported in more detail in Note 9 – Expenses by Object. Grants are recognized in the period during which the grant is authorized and any eligibility criteria are met. Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and Short-Term Investments are recorded at cost, which approximate market value. Investments are R-1 (low, mid, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits and commercial paper. Terms of investments are generally 1 to 90 days. The average interest rate was 1.01 per cent at year-end.

Accounts Receivable and Advances are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2011

Loans are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the province and is recognized as an expense at the date of issuance of the loan. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the province and is recognized as an expense at the date of issuance of the investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities
Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost that approximates market value. Short-Term Borrowings had a weighted average interest rate of 1.05 per cent at year-end on Canadian dollar borrowings.

Unmatured Debt consists of debentures and various loans in Canadian and foreign currencies and capital leases. Debt is recorded at par, net of sinking funds (including public debt management funds).

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective, and it is considered to be consistent with the province's financial risk management goals. Hedging relationships include synthetic instruments, which involve relationships between two or more distinct assets or liabilities for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Retirement Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies, and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans. Pension liabilities for defined benefit plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the province's best estimates of performance over the long-term. The projected benefit actuarial method attributes the estimated cost of retirement benefits to the periods of employee service. The net pension liability represents accrued pension benefits less the market related value of pension assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period. The pension benefit plan for the majority of health sector employees is offered by a multi-employer plan administrator and is not sponsored by the province. Employer contributions to this plan are expensed in the period paid. The accrued benefit asset (liability) of this plan is not recognized in these financial statements.

Contingent liabilities, including provisions for losses on loan guarantees, are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

Net Debt

Net Debt represents the total liabilities of the province, including unamortized foreign exchange translation gains and losses, premiums and discounts on outstanding debenture issues, less its financial assets.

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the province in the course of its operations. Inventory is recorded at the lower of cost and net realizable value.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

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Accumulated Deficits
Accumulated Deficits represent the total liabilities of the province less financial assets and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the province.

(e) **Measurement Uncertainty**
Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accruals for such items as pension, retirement and other obligations, environmental remediation obligations, and federal and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to Sales and Income Taxes, petroleum royalties, Canada Health Transfer, and Canada Social Transfer arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.

2. Accounting Changes

Errors in recording both Personal Income Tax (PIT) and Corporate Income Tax (CIT) revenues as at March 31, 2010 were determined during the process of updating forecasted PIT and CIT revenues for the current year. As a result of these errors, the Provincial Deficit, Net Debt, and Accumulated Deficits were understated by $26.6 million in the prior year.

Prior year results have been restated to reflect the impact of these errors, as shown in the following table:

($ thousands)

	2011			2010		
	Provincial Surplus	Net Debt April 1, 2010	Accumulated Deficits April 1, 2010	Provincial Deficit	Net Debt April 1, 2009	Accumulated Deficits April 1, 2009
Personal Income Tax	–	(87,721)	(87,721)	(87,721)	–	–
Corporate Income Tax	–	61,131	61,131	61,131	–	–
	–	(26,590)	(26,590)	(26,590)	–	–

3. Restricted Cash and Short-Term Investments

As at March 31, 2011, restricted cash and short-term investments of $106.4 million (2010 - $97.1 million) have been designated for restricted purposes by parties external to the province. Restricted cash includes $59.5 million for future housing expenditures from the Nova Scotia Housing Development Corporation; $31.9 million from Capital District Health Authority for the Centre for Clinical Research and other purposes; $5.8 million for gas market development from the Nova Scotia Market Development Initiative; and $9.2 million for various other purposes.

4. Deferred Revenue

Receipts are recorded as deferred revenue if they are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met. The balance includes the following components:

($ thousands)	**2011**	**2010** *(as restated)*
Offshore Accord	134,060	361,285
C-52 Federal Trust Agreements	11,835	16,764
Office of Immigration's Nova Scotia Nominee Program	—	28,143
Nova Scotia Housing Development Corporation's Social Housing Agreement	58,951	54,385
Early Learning Child Care Funds	26,985	33,534
Capital District Health Authority's Capital and Research Funds	36,109	30,487
Nova Scotia Gas Tax Agreement on Municipal Funding	49,676	41,643
Labour Market Agreement	4,396	10,488
C-41 Community Development Trust	286	16,533
Nova Scotia Market Development Initiative Fund	6,472	9,424
Resource Recovery Fund Board Inc.'s Unearned Revenue from Container Deposits, Paint Levies and Tire Deposits	14,486	14,002
Seniors Pharmacare	8,505	7,638
C-50 Police Officers Recruitment Fund	7,500	7,500
Other	36,299	39,425
Total Deferred Revenue	395,560	671,251

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5. Derivative Financial Instruments

The province is a party to financial instruments with off-balance sheet risk, either to hedge against the risks associated with fluctuations in foreign currency exchange rates or to manage risks associated with interest rate fluctuations. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowing are fixed or floating. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

The province's policy requires that a minimum credit rating for counterparties to derivative transactions be 'A', where the minimum rating in the "A" category is "A-"or equivalent.

As at March 31,2011, the province has executed 40 interest rate swap contracts to convert certain interest payments from a fixed to floating, from floating to fixed, floating to floating, or fixed to fixed basis. These swaps have terms remaining of 60 days to 14.5 years, a notional principal value of $1.6 billion and a mark to market[1] value of ($6.2) million.

The province has currency swap contracts that convert foreign denominated debt into Canadian dollar denominated debt as follows:

Termination Date	Original Currency	Original Principal	Current Currency	Current Principal	Mark to Market [1]
		($ thousands)		*($ thousands)*	*($ thousands)*
October 28, 2011	UK£	23,250	CDN$	56,283	(22,880)
April 16, 2019	UK£	60,000	CDN$	114,387	(33,912)
Total	UK£	83,250	CDN$	170,670	(56,792)
February 27, 2012	US$	500,000	CDN$	795,000	(288,753)
July 27, 2013	US$	300,000	CDN$	299,850	(1,707)
July 21, 2015	US$	750,000	CDN$	771,750	(49,343)
March 15, 2016	US$	150,000	CDN$	205,725	(49,020)
January 26, 2017	US$	500,000	CDN$	586,500	(29,745)
February 1, 2019	US$	200,000	CDN$	198,000	1,469
July 1, 2019	US$	200,000	CDN$	199,900	(739)
November 15, 2019	US$	244,000	CDN$	246,318	(3,627)
March 1, 2020	US$	300,000	CDN$	409,200	(124,684)
May 1, 2021	US$	300,000	CDN$	312,002	(15,696)
April 1, 2022	US$	300,000	CDN$	379,517	(85,048)
July 30, 2022	US$	300,000	CDN$	329,310	(29,996)
Total	US$	4,044,000	CDN$	4,733,072	(676,889)

[1] Mark to Market is an indication of the swap's market value as at March 31, 2011, which represents the equivalent to the present value of future cash flows based on market conditions as at March 31, 2011.

6. Federal Equalization Repayable Loan

The province received an equalization repayable loan from the federal government in March 2005 in the amount of $120.3 million. The loan bears no interest and is being repaid over 10 years, with bi-monthly deductions of $0.5 million that commenced in April 2006. As at March 31, 2011, the balance of the loan is $60.2 million (2010 - $72.2 million).

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7. Pension, Retirement and Other Obligations

The province offers a variety of pension, other retirement, post-employment and special termination benefits. The province is responsible for adequately funding most of the plans. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the province to pay benefits occurs.

(a) Description of Obligations

Pension Benefit Plans

The province sponsors two funded pension plans, the Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages and real estate. The plans are jointly funded with contributions from employees being matched by the province. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Plan to the Teachers' Pension Plan Trustee Inc., (TPPTI). The TPPTI is a body corporate comprised of nine board members - four nominated by the Nova Scotia Teachers' Union, four nominated by the province and one Chair agreed to by both parties. As a result of this transfer, the province and Union agreed to share all surpluses and deficits of the plan equally. The province accounts for half of all components of the accrued benefit liability associated with the plan in its financial statements. In addition, the province recognizes half of components associated with the net benefit expense (recovery) associated with this plan. As of March 31, 2011, the total accrued benefit liability associated with the plan was $180.8 million.

The province has several unfunded defined pension plans. The majority of these plans do not require contributions from employees. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these financial statements. The most recent actuarial valuation was performed on October 31, 2010 and extrapolated to December 31, 2010 which indicated a funding surplus of $109.6 million.

Other Retirement Benefit Plans

The province sponsors two other retirement benefit plans: retirement allowances and retirement health plan benefits. These plans are not funded. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The province pays 65 per cent and 100 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees, respectively.

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Post-Employment Benefits

The province offers two significant post-employment benefit plans: Self Insured Workers' Compensation and Long-Term Disability. The amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments, based on claims ongoing at year-end. For the Long-Term Disability plan, the obligation is offset by the market related value of plan assets.

Special Termination Benefits

The province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994 respectively. Qualified members were offered additional years of pensionable service if they elected to retire. The cost of these benefits was accrued in the year the employee accepted the early retirement option.

(b) Summary of Activity in Defined Benefit Plans

Accrued Benefit Liability
($ thousands)

	2011	2010
Pension Benefit Plans	41,491	558,666
Other Benefit Plans	1,447,392	1,408,810
Total Accrued Benefit Liability	1,488,883	1,967,476

Activity During the Year
($ thousands)

	Pension Benefit Plans		Other Benefit Plans	
	2011	2010	2011	2010
Projected benefit obligation, beginning of year	8,025,530	7,623,059	1,476,433	1,390,338
Current benefit cost	196,055	211,708	74,239	69,744
Interest cost	517,553	526,055	69,263	67,613
Actuarial (gains) losses	(106,696)	93,477	887	27,144
Benefit payments	(446,071)	(436,467)	(85,216)	(84,358)
Other	13,191	7,698	1,259	2,044
Plan amendments	(550,430)	–	(18,335)	3,908
Projected benefit obligation, end of year	7,649,132	8,025,530	1,518,530	1,476,433
Market related value of plan assets, beginning of year	6,175,658	6,096,055	102,919	92,993
Expected return on plan assets	442,210	427,416	6,631	5,978
Actuarial gains (losses)	(226,959)	(193,960)	(2,518)	(2,617)
Benefit payments	(446,071)	(436,467)	(85,216)	(84,358)
Other	13,191	7,697	(476)	(364)
Employer contributions	688,254	149,723	83,250	82,153
Employee contributions	125,285	125,194	9,913	9,134
Market related value of plan assets, end of year	6,771,568	6,175,658	114,503	102,919
Funded status, end of year	(877,564)	(1,849,872)	(1,404,027)	(1,373,514)
Unamortized net actuarial (gains) losses	839,370	1,291,206	(6,993)	(11,813)
Valuation Allowance	(3,297)	–	(36,372)	(23,483)
Accrued benefit liability, end of year	(41,491)	(558,666)	(1,447,392)	(1,408,810)

(c) Actuarial Assumptions

The table below shows significant weighted-average assumptions used to measure pension and other benefit plan obligations.

	Pension Benefit Plans		Other Benefit Plans	
	2011	2010	2011	2010
Long-term inflation rates	2.50%	2.50%	2.50%	2.50%
Expected real rate of return on plan assets	4.50%	4.50%	–	–
Rate of compensation increase	2.75% to 5.50% + merit	2.75% to 5.5% + merit	2.75% to 4.95% + merit	2.75% to 4.95% + merit
Discount rate - main plans	7.11%	7.11%	4.75%	4.75%
Other	–	–	6.35%	6.35%

Other assumptions

7.0 per cent annual rate increase in the cost per person of covered healthcare benefits for 2011, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years.

7.0 per cent annual rate increase in the cost per person of covered prescription drugs for 2011, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the province's best estimate of performance over the long-term.

(d) Other Disclosure

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 4 years to 17 years (weighted-average EARSL is 14 years).

During the year, the weighted average actual rate of return on plan assets was 10.6 per cent (2010 – 22.0 per cent). The total market value of plan assets at March 31, 2011 was $8.6 billion (2010 - $7.6 billion).

The most recent actuarial valuations performed for most of the benefit plans was at December 31, 2009 with the exception of certain other retirement benefit plans that were performed on various dates and the post-employment benefit plans that are performed annually at March 31.

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(e) Net Benefit Plans Expense (Recovery)

The table below shows the components of the net benefit plans expense (recovery).

($thousands)

	Pension Benefits		Other Benefits	
	2011	**2010**	**2011**	**2010**
Current benefit cost	196,055	211,708	74,239	69,744
Employee contributions	(125,796)	(125,703)	(9,922)	(9,151)
Employer contributions*	33,791	35,440	—	—
Plan amendments	(550,430)	—	(18,335)	3,908
Amortization of net actuarial (gains) losses	36,375	99,851	(1,416)	(3,438)
Recognition of actuarial losses on plan amendment	535,723	—	—	(1,024)
Other	(1)	(4)	1,959	2,636
Increase in valuation allowance	3,297	0	12,889	7,522
Interest cost	517,553	526,055	69,263	67,613
Expected return on plan assets	(442,210)	(427,416)	(6,631)	(5,978)
Employer contributions to multi-employer plan	93,648	84,027	—	—
Net benefit plans expense (recovery)	298,005	403,958	122,046	131,832

* This represents one-half of the employer contributions made by PNS to the TPP. Included in the figures above for 2011 and 2010, are one-half of all transactions associated with TPP to reflect the province's share of this plan under joint trusteeship.

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8. Trust Funds Under Administration

Trust fund assets solely administered by the province (before giving consideration to actuarial adjustments) are:

($ thousands)

	2011	2010 *(as restated)*
Nova Scotia Public Service Superannuation Fund (1)	4,301,040	3,444,323
Sydney Steel Corporation Superannuation Plan (1), (2)	7	20
Nova Scotia Public Service Long Term Disability Plan (1), (4)	108,109	92,273
Nova Scotia Credit Union Deposit Insurance Corporation(4)	19,091	17,698
Public Trustee (1)	53,636	49,864
Miscellaneous Trusts (3)	35,830	35,200
Total Trust Funds Under Administration	4,517,713	3,639,378

(1) *See Public Accounts Volume 2 for full financial statements of these funds.*

(2) *Administration of the assets of Sydney Steel Corporation Superannuation Fund was assumed during fiscal 2001.*

(3) *Miscellaneous trusts include a large number of relatively small funds.*

(4) *These represent trusts with December 31 year ends.*

Other

The Province of Nova Scotia is no longer the sole trustee administering the Nova Scotia Teachers' Pension Fund (the Fund). The Nova Scotia Teachers' Union and the Province of Nova Scotia agreed to joint trusteeship of the Fund effective April 1, 2006. Under joint trusteeship, the Trustee of the Fund is the Teachers' Pension Plan Trustee Inc., of which the province has four of nine members. The Trustee is responsible for the administration of the Fund and investment management of fund assets. Total net assets available for benefits as at December 31, 2010 were $4.2 billion (2010 - $4.0 billion).

9. Expenses by Object

($ thousands)

	2011	2010 *(as restated)*
Grants and Subsidies	2,988,291	3,150,023
Salaries and Employee Benefits	3,359,076	3,418,408
Operating Goods and Services	1,418,415	1,409,435
Professional Services	290,333	296,127
Amortization	345,291	312,578
Debt Servicing Costs	861,404	849,675
Other	64,973	63,030
Total Expenses by Object	9,327,783	9,499,276

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10. Debt Servicing Costs

($ thousands)

	2011	2010 *(as restated)*
CDN$ Denominated Debt	721,344	685,676
Pension, Retirement and Other Obligations	137,975	160,274
Capital Leases	19,461	20,989
Other Debt	13,238	12,138
Premium / Discount Amortization	(6,245)	(4,685)
Foreign Exchange	(25,955)	(25,931)
Miscellaneous	1,586	1,214
Total Debt Servicing Costs	861,404	849,675

Debt servicing costs for Government Business Enterprises were $14.5 million (2010 - $12.3 million) for the year ended March 31, 2011.

11. Cash-Flow – Net Change in Other Items

($ thousands)

	2011	2010 *(as restated)*
Change in Receivables from Government Business Enterprises	7,920	(824)
Change in Accounts Receivable and Advances	(16,450)	(46,485)
Change in Accounts Payable and Other Short-term Borrowings	211,284	(66,383)
Change in Inventories for Resale	(5,145)	27
Change in Inventories of Supplies	5,698	(5,926)
Change in Prepaid Expenses	(2,779)	(128)
Change in Deferred Revenue	(275,691)	(251,104)
Change in Accrued Interest	10,333	(7,734)
Change in Pension, Retirement and Other Obligations	(478,593)	184,749
Total Net Change in Other Items	(543,423)	(193,808)

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12. Contingencies and Contractual Obligations

(a) Contingent Liabilities

Environmental Sites

Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded in these financial statements when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. With the exception of remediation costs noted in the following paragraphs, no further provisions have been recognized in these financial statements.

Engineering and environmental studies have generated estimates for the cost of remediation of the Sydney Steel Corporation (SYSCO) and adjacent sites as well as the Sydney Tar Ponds site. As a result, the province recorded liabilities totaling $318.5 million in 2000 for environmental site clean up. At March 31, 2011, $103.8 million (2010 - $134.3 million) remains unspent. The provision will continue to be utilized for future decommissioning, demolition, and remediation of SYSCO's and adjacent sites, including the Sydney Tar Ponds site. Based on currently available information, the provision, in aggregate, appears to be sufficient to cover the estimated costs to remediate these sites.

Other remediation liabilities amounting to $13.0 million (2010 – $12.8 million) have been recognized in these financial statements.

Lawsuits

The Province of Nova Scotia is involved in various legal proceedings arising from government activities. These different disputes result from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When it is determined that a liability likely exists and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process at March 31, 2011 was $40.3 million (2010 - $16.5 million).

Guarantees

Guarantees by the province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the province's best estimate of future payments. Estimates take into consideration the nature of the loan guarantee, loss experience, and current conditions. The provision is reviewed on an ongoing basis and changes in the provision are recorded in the year they become known. Details on amounts authorized, utilized, and accrued are presented in Schedule 8.

Other Contingent Liabilities

The province also has contingent liabilities in the form of indemnities. The province's potential liability, if any, cannot be determined at this time.

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(b) Contingent Gains

The province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded in the year the contingent events occur.

(c) Contractual Obligations

As at March 31, 2011, the province had contractual obligations as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2012	679,009	8,372	687,381
2013	414,381	8,047	422,428
2014	348,058	7,912	355,970
2015	328,877	6,908	335,785
2016	314,690	7,470	322,160
2017-2021	1,286,400	—	1,286,400
2022-2026	879,035	—	879,035
2027-2031	938,520	—	938,520
2032 & thereafter	969,984	—	969,984
	6,158,954	38,709	6,197,663

These contractual obligations are comprised of $5,907.2 million for the General Revenue Fund, $251.7 million for other Governmental Units, and $38.7 million for the Government Business Enterprises. Included are contractual obligations of $79.4 million from Nova Scotia Business Inc. for projects approved under its various programs, $260.2 million from the Department of Education for P3 School maintenance agreements, $823.8 million from the Department of Health for the management of the ground ambulance fleet, $98.0 million from the Department of Justice for RCMP policing services, and $4,296.9 million from the Department of Health for service agreements with long-term care facilities.

Leases

As at March 31, 2011, the province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

($ thousands) Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2012	67,932	6,902	74,834
2013	55,984	6,092	62,076
2014	44,972	5,948	50,920
2015	34,586	5,193	39,779
2016	27,503	3,909	31,412
2017-2021	31,125	—	31,125
2022-2026	827	—	827
2027-2031	719	—	719
2032 & thereafter	574	—	574
	264,222	28,044	292,266

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13. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.

14. Related Party Transactions

Included in these consolidated financial statements are insignificant transactions with various provincial crown corporations, agencies, boards, and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in Schedule 6 – Government Business Enterprises.

Schedule 1

Revenue
For the fiscal year ended March 31, 2011
($ thousands)

	2011	2010 *(as restated)*
Provincial Sources		
Tax Revenue		
Personal Income Tax	2,046,059	1,868,263
Corporate Income Tax	473,053	325,276
Harmonized Sales Tax	1,504,694	1,242,434
Tobacco Tax	211,856	199,149
Motive Fuel Tax	255,395	248,128
Other Tax Revenue	186,101	177,259
	4,677,158	4,060,509
Other Provincial Revenue		
Recoveries	344,543	338,995
Other Revenue from Governmental Units	393,343	373,693
Municipal Contributions to School Boards	206,297	206,917
Petroleum Royalties	197,008	110,060
Registry of Motor Vehicles	112,281	111,763
Other Government Charges	70,103	68,666
Miscellaneous	148,315	149,277
Net Gain on Disposal of Crown Assets	—	14,943
	1,471,890	1,374,314
Net Income from Government Business Enterprises	357,219	358,731
Investment Income		
Interest Revenue	79,507	57,711
Sinking Fund and Public Debt Retirement Fund Earnings	102,234	92,188
	181,741	149,899
Total Provincial Sources	6,688,008	5,943,453
Federal Sources		
Equalization Payments	1,360,723	1,464,935
Canada Health Transfer	726,429	694,941
Canada Social Transfer	309,696	301,343
Recoveries	302,700	312,224
Offshore Accord	227,225	180,072
TCA Cost Shared Revenue	92,072	108,772
Crown Share	29,717	79,386
Other Federal Transfers	160,314	145,636
Total Federal Sources	3,208,876	3,287,309
Total Revenue	9,896,884	9,230,762

Schedule 2

Expenses
For the fiscal year ended March 31, 2011
($ thousands)

	2011	2010
Agriculture		
Department of Agriculture	61,362	67,722
AgraPoint International Inc.	3,259	2,910
AgriTECH Park Incorporated	782	689
	65,403	71,321
Community Services		
Department of Community Services	797,926	803,747
Nova Scotia Housing Development Corporation	125,507	137,439
	923,433	941,186
Economic and Rural Development		
Department of Economic and Rural Development	64,259	62,010
Bioscience Enterprise Centre Incorporated	309	483
Film Nova Scotia	3,632	3,587
Nova Scotia Business Inc.	23,180	29,816
Nova Scotia Innovation Corporation	5,938	7,571
Nova Scotia Strategic Opportunities Fund Incorporated	2,050	1,174
Trade Centre Limited	16,896	16,905
Waterfront Development Corporation Limited	4,276	7,278
	120,540	128,824
Education		
Department of Education	271,606	276,019
Annapolis Valley Regional School Board	129,729	128,751
Cape Breton Victoria Regional School Board	163,197	160,727
Chignecto-Central Regional School Board	200,917	191,918
Conseil scolaire acadien provincial	54,359	52,895
Halifax Regional School Board	424,070	417,788
Nova Scotia Community College	203,169	197,189
Nova Scotia School Boards Association	1,116	1,328
Nova Scotia School Insurance Exchange	2,678	2,407
Nova Scotia School Insurance Program Association	781	796
P3 Schools Capital and Technology Refresh Fund	—	133
South Shore Regional School Board	78,199	73,660
Strait Regional School Board	84,410	84,931
Tri-County Regional School Board	67,981	65,936
	1,682,212	1,654,478
Assistance to Universities	93,545	450,359
Energy		
Department of Energy	20,604	9,367
Conserve Nova Scotia	12,672	20,084
Nova Scotia Market Development Initiative Fund	1,495	1,721
Pengrowth Nova Scotia Energy Scholarship Fund	57	110
	34,828	31,282

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2011
($ thousands)

	2011	2010
Environment		
Department of Environment	47,398	37,751
Resource Recovery Fund Board Incorporated	48,264	44,837
	95,662	82,588
Finance		
Department of Finance	31,508	28,290
Nova Scotia Harness Racing Fund	1,000	—
Nova Scotia Pension Agency	32,093	26,000
Nova Scotia Utility and Review Board	9,433	8,594
Sydney Steel Corporation	—	—
3052155 Nova Scotia Limited	14	59
	74,048	62,943
Fisheries and Aquaculture		
Department of Fisheries and Aquaculture	12,818	8,654
Nova Scotia Sportfish Habitat Fund	269	276
	13,087	8,930
Health		
Department of Health	1,760,778	1,607,085
Annapolis Valley District Health Authority	126,363	124,158
Cape Breton District Health Authority	286,375	257,804
Capital District Health Authority	777,247	772,770
Colchester East Hants Health Authority	75,303	74,730
Cumberland Health Authority	60,245	62,590
Guysborough Antigonish Strait Health Authority	82,997	80,029
Izaak Walton Killam Health Centre	241,428	237,855
Nova Scotia Health Research Foundation	6,395	5,940
Pictou County Health Authority	77,919	74,497
Provincial Drug Distribution Program	82,210	79,415
South Shore District Health Authority	85,478	83,753
South West Nova District Health Authority	100,386	99,457
	3,763,124	3,560,083
Health Promotion and Protection		
Department of Health Promotion and Protection	62,736	43,120
Nova Scotia Gaming Foundation	660	575
	63,396	43,695
Justice		
Department of Justice	255,837	254,507
Law Reform Commission	349	339
Nova Scotia Legal Aid Commission	21,401	21,341
	277,587	276,187
Labour and Workforce Development		
Department of Labour and Workforce Development	148,019	127,268

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2011
($ thousands)

	2011	2010
Natural Resources		
Department of Natural Resources	92,787	90,436
Acadia Coal Company Limited Fund	2	—
Coal Research Agreement Fund	—	299
Crown Land Mine Remediation Fund	—	50
Crown Land Silviculture Fund	—	1,723
Habitat Conservation Fund	174	91
Nova Scotia Primary Forest Products Marketing Board	226	289
Off-Highway Vehicle Infrastructure Fund	1,744	988
Species-at-risk Conservation Fund	3	73
Sustainable Forestry Fund	462	—
	95,398	93,949
Public Service		
Public Service	139,062	153,434
Nova Scotia E911 Cost Recovery Fund	4,924	4,671
Nova Scotia Nominee Program Fund	17,117	14,997
	161,103	173,102
Seniors		
Department of Seniors	1,734	1,903
Service Nova Scotia and Municipal Relations		
Department of Service Nova Scotia and Municipal Relations	292,055	278,220
Nova Scotia Municipal Finance Corporation	416	279
	292,471	278,499
Tourism, Culture and Heritage		
Department of Tourism, Culture and Heritage	55,513	57,899
Art Gallery of Nova Scotia	3,789	3,576
Public Archives of Nova Scotia	119	137
Sherbrooke Restoration Commission	2,494	2,181
	61,915	63,793
Transportation and Infrastructure Renewal		
Department of Transportation and Infrastructure Renewal	404,439	377,825
Harbourside Commercial Park Inc.	773	700
Nova Scotia Lands Inc.	498	309
	405,710	378,834
Restructuring Costs	69,391	133,967
Pension Valuation Adjustment	(25,696)	86,410
Tax Credits and Rebates	48,860	—
Net Loss on Disposal of Crown Assets	609	—

Schedule 2

Expenses (continued)
For the fiscal year ended March 31, 2011
($ thousands)

	2011	2010
Debt Servicing Costs		
General Revenue Fund	805,975	795,958
Annapolis Valley District Health Authority	501	487
Annapolis Valley Regional School Board	382	381
Cape Breton District Health Authority	1,533	1,513
Cape Breton Victoria Regional School Board	271	265
Capital District Health Authority	7,441	7,058
Chignecto-Central Regional School Board	658	647
Colchester East Hants Health Authority	295	276
Conseil scolaire acadien provincial	94	83
Conserve Nova Scotia	73	56
Cumberland Health Authority	276	271
Guysborough Antigonish Strait Health Authority	353	336
Halifax Regional School Board	1,457	1,529
Izaak Walton Killam Health Centre	1,435	1,311
Nova Scotia Community College	1,347	1,149
Nova Scotia Housing Development Corporation	36,522	35,682
Nova Scotia Innovation Corporation	63	65
Nova Scotia Legal Aid Commission	307	219
Nova Scotia Municipal Finance Corporation	454	471
Nova Scotia Utility and Review Board	31	30
Pictou County Health Authority	323	307
Sherbrooke Restoration Commission	24	—
South Shore District Health Authority	393	376
South Shore Regional School Board	209	266
South West Nova District Health Authority	535	536
Strait Regional School Board	236	228
Tri-County Regional School Board	189	172
Waterfront Development Corporation Limited	8	3
Waycobah School Assistance Fund	19	—
	861,404	849,675
Total Expenses	9,327,783	9,499,276

Schedule 3

Loans and Investments
As at March 31, 2011
($ thousands)

	Loans and Investments	Provisions	Net 2011	Net 2010
Loans				
Agriculture and Rural Credit Act	174,612	18,291	156,321	151,869
Conserve Nova Scotia	1,849	122	1,727	1,046
Educational & Services Products (NS) Ltd	15	—	15	15
Education - Student Loans Direct Lending	172,628	61,185	111,443	102,239
Fisheries Development Act	104,357	373	103,984	94,454
Industrial Development Act	218,481	66,514	151,967	154,315
Miscellaneous	709	—	709	709
Municipal Loan and Building Fund Act	75	—	75	150
Nova Scotia Bridge Commission	2,000	—	2,000	—
Nova Scotia Business Inc.	125,760	35,990	89,770	83,969
Nova Scotia Housing Development Corporation	497,280	20,954	476,326	293,134
Nova Scotia Innovation Corporation	192	—	192	232
Nova Scotia Market Development Initiative Fund	5,600	—	5,600	5,600
Nova Scotia Municipal Finance Corporation	748,013	—	748,013	719,298
Nova Scotia Strategic Opportunities Fund Incorporated	66,296	—	66,296	31,091
Resource Recovery Fund Board Inc.	125	—	125	254
Venture Corporations Act	809	809	—	—
Waterfront Development Corporation	1,101	—	1,101	874
Total Loans	2,119,902	204,238	1,915,664	1,639,249
Investments				
AgraPoint International Inc.	704	—	704	698
Art Gallery of Nova Scotia	2,145	—	2,145	1,493
Gambling Awareness Foundation of Nova Scotic	3,385	—	3,385	3,301
Industrial Development Act	31,670	4,271	27,399	3,800
Nova Scotia Business Inc.	39,365	10,787	28,578	29,070
Nova Scotia Housing Development Corporation	2,349	181	2,168	2,141
Nova Scotia Innovation Corporation	12,954	—	12,954	13,758
Nova Scotia School Insurance Exchange	8,505	—	8,505	8,049
Public Archives of Nova Scotia	927	—	927	892
Total Investments	102,004	15,239	86,765	63,202
Total Loans and Investments	2,221,906	219,477	2,002,429	1,702,451

The provisions listed above include amounts for possible guarantee payouts for the Industrial Development Act $2,350 (2010 — $500), the Housing Development Corporation Act $9,889 (2010 — $13,802), and Nova Scotia Business Incorporated $30 (2010 — $2,900).

The provision includes amounts for the Debt Reduction Assistance Program of the Education Student Loans $11,257 (2010 — $12,334) of which $4,422 (2010 — $4,845) relates to the student loans guaranteed by the Province.

Also included in provisions for the Housing Development Corporation Act is $3,200 (2010 — $3,200) for interest fluctuations.

Schedule 4

Unmatured Debt
As at March 31, 2011
($ thousands)

	Gross Unmatured Debt	Sinking Funds and Defeasance Assets	Net Unmatured Debt 2011	Net Unmatured Debt 2010
General Revenue Fund	14,611,478	2,394,581	12,216,897	11,127,770
Nova Scotia Housing Development Corporation	226,106	—	226,106	240,288
Nova Scotia Municipal Finance Corporation	2,065	—	2,065	2,416
Nova Scotia Power Finance Corporation	991,540	991,540	—	—
Waterfront Development Corporation Limited	875	—	875	625
Other	1,307	—	1,307	927
Total Unmatured Debt	15,833,371	3,386,121	12,447,250	11,372,026

Gross Unmatured Debt

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 5.

The current and long-term portions of unmatured debt of the Governmental Units, as well as unmatured debt of the General Revenue Fund are included in the province's Unmatured Debt of Governmental Units shown on the Consolidated Statement of Financial Position and referenced to this schedule. Current and long-term debt of the Government Business Enterprises is reflected in the province's Investment in Government Business Enterprises and further detailed in Schedule 6.

Sinking Fund Assets

As of March 31, 2011, the General Revenue Fund held Sinking Funds and Public Debt Retirement Funds of $2,394.6 million (2010 - $2,204.2 million). These funds were comprised of $2,244.0 million in Sinking Funds and $150.6 million in Public Debt Management Funds. The total market value of both funds was $2,454.1 million at year-end. During the year, contributions were $88.2 million, total earnings were $102.2 million, and there were no redemptions.

Sinking fund assets are recorded at cost, which includes premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The unamortized portion of the premiums and discounts is included as part of the value of the sinking funds. As at March 31, 2011, the unamortized net premium was $48.8 million (2010 - $66.5 million).

Schedule 4

Unmatured Debt (continued)
As at March 31, 2011

Sinking fund assets consist primarily of debentures of the provinces and Government of Canada with fixed interest rates ranging from 2.75 per cent to 10.00 per cent. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. At year-end, the province held $994.9 million (2010 - $1,037.7 million) carrying value worth of its own debentures in Sinking Funds and Public Debt Retirement Funds as active investments.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, federal US bonds, coupons or residuals. This debt is shown net of defeasance assets on the Statement of Financial Position.

Projected principal repayments and sinking fund requirements for the next five years and thereafter are as follows:

Projected Payments
($ thousands)

	Net Principal Repayments	Sinking Fund Requirements	Total Payments
2012	1,623,088	37,618	1,660,706
2013	998,425	37,155	1,035,580
2014	1,014,282	30,580	1,044,862
2015	590,210	30,580	620,790
2016	1,021,661	30,580	1,052,241
2017 & thereafter	6,910,062	123,009	7,033,071
	12,157,728	289,522	12,447,250

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

In addition, the province has approximately $788.4 million (2010 - $765.4 million) in unrestricted sinking funds that can be used towards the retirement of any unmatured debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions.

Schedule 5

Gross Unmatured Debt
As at March 31, 2011
($ thousands)

	Foreign Exchange Rate	CDN $ Amount	Maturity Dates	Interest Rates
Debentures				
General Revenue Fund				
General Revenue Fund (CDN$)		14,310,888	2011 to 2041	2.50% to 15.998%
General Revenue Fund (US$)	0.9718	—	2012 to 2022	2.375% to 9.50%
General Revenue Fund (UK£)	1.5595	—	2011 to 2019	11.75% to 16.75%
Nova Scotia Municipal Finance Corporation		2,065	2011 to 2018	1.00% to 2.62%
Nova Scotia Power Finance Corporation				
Nova Scotia Power Finance Corporation (CDN$)		700,000	2012 to 2031	10.25% to 11.25%
Nova Scotia Power Finance Corporation (US$)	0.9718	291,540	2021	9.40%
Total Debentures		15,304,493		
Loans				
General Revenue Fund - Other Debt		2,453	2011 to 2014	1.90% to 8.375%
Nova Scotia Housing Development Corporation		226,106	2011 to 2034	4.00% to 21.50%
Waterfront Development Corporation Limited		875	Demand loan	Bank prime less 1.125%
Total Loans		229,434		
Capital Leases				
General Revenue Fund		298,137	2011 to 2027	6.04% to 11.00%
Other		1,307	2011 to 2017	6.19% to 6.29%
Total Capital Leases		299,444		
Gross Unmatured Debt of Governmental Units		**15,833,371**		

Call, Redemption and Other Features:

General Revenue Fund
Canadian debentures include $1,079.4 million in CPP debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

Housing Development Corporation
Mortgages and notes payable are secured by investments in social housing.

Schedule 6

Government Business Enterprises
As at March 31, 2011
($ thousands)

	2011					2010
	Halifax - Dartmouth Bridge Commission	Highway 104 Western Alignment Corporation	Nova Scotia Gaming Corporation	Nova Scotia Liquor Corporation	Total	Total
Cash	4,144	755	21,693	4,657	31,249	27,675
Accounts Receivable	773	929	—	1,891	3,593	3,276
Inventory	—	10	1,974	38,130	40,114	37,971
Investments	9,734	38,177	2	—	47,913	49,188
Tangible Capital Assets	80,086	91,196	80,746	41,448	293,476	310,063
Other Assets	352	419	826	8,373	9,970	4,877
Total Assets	95,089	131,486	105,241	94,499	426,315	433,050
Accounts Payable	3,109	783	67,206	73,427	144,525	158,814
Unmatured Debt	51,000	63,892	15,240	1,166	131,298	147,818
Other Liabilities	5,445	39,398	22,795	19,906	87,544	73,690
Total Liabilities	59,554	104,073	105,241	94,499	363,367	380,32
Equity	35,535	27,413	—	—	62,948	52,728
Total Liabilities and Equity	95,089	131,486	105,241	94,499	426,315	433,050
Total Revenue	26,390	21,920	440,324	585,892	1,074,526	1,061,704
Debt Servicing	2,752	9,660	743	1,309	14,464	12,304
Other Expenses	16,378	9,300	315,741	361,424	702,843	690,669
Total Expenses	19,130	18,960	316,484	362,733	717,307	702,973
Net Income	7,260	2,960	123,840	223,159	357,219	358,731

Government Business Enterprises (continued)
As at March 31, 2011

Halifax-Dartmouth Bridge Commission

The Halifax-Dartmouth Bridge Commission, operating as Halifax Harbour Bridges, was created in 1950 by a special statue of the Province of Nova Scotia (now the Halifax-Dartmouth Bridge Commission Act). The purpose of the Commission is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

The Commission currently operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. Bridge tolls are regulated by the Nova Scotia Utility and Review Board, a provincially controlled public sector entity.

Long-Term Loan Agreement

On July 25, 2007 the Commission entered into a long-term loan agreement with the province for $60.0 million with a final maturity date of December 4, 2019. This agreement requires eleven consecutive annual installments of $3.0 million that commenced with an installment payment on December 4, 2008 and for each year thereafter with the final principal repayment amount of $27.0 million along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. At March 31, 2011 the Corporation had $48.0 million of long-term debt and $3.0 million of debt maturing within one year.

Interest is payable semi-annually on June 4 and December 4 of each year. The average interest rate over the 12-year period is 5.13%. For the period ending March 31, 2011, interest expense on the long term debt was $2.7 million, of which $0.8 million was payable at year end.

This agreement also requires that two reserve funds, the Operating, Maintenance, and Administrative Fund (OM Fund) and Debt Service Fund, be maintained. Effective June 4, 2008, a Capital Fund was also established.

Line of Credit Agreement

On June 30, 2008, the Commission entered into an agreement with the province for a $60.0 million revolving, unsecured line of credit. At March 31, 2011, the Commission had one advance totaling $2.0 million against the line of credit and accrued interest for the year in the amount of $39.0 thousand.

Government Business Enterprises (continued)
As at March 31, 2011

Highway 104 Western Alignment Corporation

The Corporation has been established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia.

Omnibus Agreement

The omnibus agreement dated April 1, 1996 is an agreement between the Corporation, the contractor, the operator, and the province to design, finance, construct, operate, and maintain the Highway 104 Western Alignment.

Under this agreement, the Province of Nova Scotia retains ownership of the highway. However, the Corporation is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the province.

The province contributed $55.0 million towards the construction of the highway, one-half of which was recovered from the Federal Government under the Canada-Nova Scotia Strategic Highway Improvement Program. There were no contributions in the current or previous year.

Annual Roadway Maintenance Agreement

The annual roadway maintenance agreement is a 30-year agreement between the Corporation and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services. It is renewable in five-year increments and was renewed in the prior year. For the current fiscal year, the annual fee totaled $1.1 million (2010 - $1.1 million). During the year, the Corporation incurred management fees of $70.1 thousand (2010 - $76.6 thousand) from the province.

Payable and Receivable to/from the Province

At March 31, 2011, the Corporation had a payable (deferred grant) to the province in the amount of $0.3 million (2010 - $0.3 million). The Corporation also had a receivable from the province in the amount of $0.8 million (2010 - $0.4 million).

Long-Term Debt

Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.13% and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At March 31, 2011, the Corporation had $62.0 million of long-term debt and $1.9 million of debt maturing within one year. Interest expense on the long-term debt was $9.7 million for the year.

Minimum principal repayments for the next five years, net of deferred financing fees, are as follows: 2012 - $1.9 million, 2013 - $2.1 million, 2014 - $2.3 million, 2015 - $2.6 million, 2016 - $2.9 million.

As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the facility, and a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.

Government Business Enterprises (continued)
As at March 31, 2011

Nova Scotia Gaming Corporation

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The purpose of the Corporation is to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of the Corporation are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

In March 2011, it was announced that the conduct-and-manage function for gambling would migrate from the Nova Scotia Gaming Corporation to a division within the Department of Communities, Culture and Heritage of the province. As a result, it is anticipated that at some future date, the Corporation will cease operations. At that time, all assets and liabilities will be transferred to the province, at their net book value or fair value, in accordance with the Corporation's accounting policy for each balance.

Payable to the Province

At March 31, 2011, the Corporation had a payable to the province in the amount of $57.1 million (2010 - $65.2 million).

Special Payments to Government Departments

The Corporation is obligated to make direct payments annually to three government departments: Department of Tourism, Culture, and Heritage (for the Cultural Federation of NS), Department of Agriculture (for the Exhibition Association of Nova Scotia), and Department of Health Promotion and Protection (for Sport Nova Scotia). These payments totaled $0.2 million in 2011 (2010 - $0.2 million). Additionally, as part of its Gaming Strategy, the Province of Nova Scotia approved a contribution of $3.1 million to the Department of Health Promotion and Protection in 2011 (2010 - $3.0 million) to fund problem gambling treatment.

Gambling Awareness Foundation Contribution

Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with Atlantic Lottery Corporation Inc. (ALC), to contribute 1.0% of their VL commissions to the Gambling Awareness Foundation of Nova Scotia (formerly the Nova Scotia Gaming Foundation). The Corporation has agreed to contribute an amount equal to all contributions made by the VL retailers. At March 31, 2011 the Corporation had a payable to the Gambling Awareness Foundation in the amount of $46.0 thousand (2010 - $49.0 thousand).

Harness Racing Fund Contribution

The Corporation annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the Nova Scotia Harness Racing Fund Regulations. In 2011, the contribution was $1.0 million. The 2012 approved budget for this item is $1.0 million.

Due to Atlantic Gaming Equipment

This liability represents a portion of ALC debt used in the acquisition of assets operated on behalf of the Corporation. All amounts are payable by ALC and are due on or before April 2013. The debt is based on variable interest rates ranging from 2.58% to 5.13%. The aggregate maturity of long-term debt for the next two years are approximately as follows: 2012 - $7.6 million, and 2013 - $7.6 million. Included in interest expense is $57.0 thousand relating to the debt.

Schedule 6

Government Business Enterprises (continued)
As at March 31, 2011

Nova Scotia Liquor Corporation

The Corporation derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate.

The Corporation operates retail sales locations across the province and has a fiscal year end of March 31.

Obligations under Capital Lease

The Corporation has two obligations under capital lease, one of which matures in 2012 and the other which continues through to 2015. The discount rate used is the rate implicit in the lease which is 13.8% for the lease maturing in 2012 and 5.0% for the continuing lease.

At March 31, 2011, the Corporation had long-term obligations under capital lease of $60.0 thousand and current obligations under capital lease of $1.1 million.

The future minimum lease payments are as follows: 2012 - $1.2 million; 2013 - $21.0 thousand, 2014 - $22.0 thousand; 2015 - $22.0 thousand.

Payable to the Province

At March 31, 2011, the Corporation had a payable to the province in the amount of $43.2 million (2010 - $43.1 million).

Schedule 7

Tangible Capital Assets
As at March 31, 2011
($ thousands)

	2011						2010
	Land	Buildings and Land Improvements	Machinery Computers and Equipment	Vehicles and Ferries	Roads, Bridges and Highways	Total	Total
Costs							
Opening Costs	724,227	4,009,578	1,221,415	127,046	1,636,929	7,719,195	6,973,662
Transfers	620	(2,341)	(72)	493	4,298	2,998	2,247
Additions	29,025	275,793	104,098	18,825	274,507	702,248	772,741
Disposals	(128)	(3,576)	(29,738)	(7,672)	(827)	(41,941)	(29,455)
Closing Costs	753,744	4,279,454	1,295,703	138,692	1,914,907	8,382,500	7,719,195
Accumulated Amortization							
Opening Accumulated Amortization	–	(1,588,303)	(870,518)	(83,337)	(654,318)	(3,196,476)	(2,903,282)
Transfers	–	(1,635)	(354)	(107)	(511)	(2,607)	(22)
Disposals	–	2,642	28,017	7,537	602	38,798	19,406
Amortization Expense	–	(129,332)	(80,334)	(11,994)	(123,631)	(345,291)	(312,578)
Closing Accumulated Amortization	–	(1,716,628)	(923,189)	(87,901)	(777,858)	(3,505,576)	(3,196,476)
Net Book Value	753,744	2,562,826	372,514	50,791	1,137,049	4,876,924	4,522,719
Opening Balance	724,227	2,421,275	350,897	43,709	982,611	4,522,719	4,070,380
Closing Balance	753,744	2,562,826	372,514	50,791	1,137,049	4,876,924	4,522,719
Increase in Net Book Value	29,517	141,551	21,617	7,082	154,438	354,205	452,339

Schedule 7

Tangible Capital Assets (continued)
As at March 31, 2011
($ thousands)

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization percentages of the more common tangible capital assets are as follows:

Buildings and Land Improvements	5-30 per cent
Machinery, Computers and Equipment	15-50 per cent
Vehicles and Ferries	15-35 per cent
Roads, Bridges and Highways	5-15 per cent

Capital leases are amortized on a straight-line basis over the length of each lease (3-25 years).

Amortization is generally calculated on a straight-line basis for assets of the other governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

Buildings (including Leasehold Improvements) and Land Improvements	2-50 years
Machinery, Computers and Equipment	2-50 years
Vehicles and Ferries	3-7 years

Capital leases are amortized on a straight-line basis, generally 3-45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to the Nova Scotia Housing Development Corporation. These assets are amortized using the straight-line method. The net book value of these assets is $355,400 (2010 - $328,618).

Included in the closing costs of the various classes as at March 31, 2011, are costs for assets under construction, which have not yet been amortized. These costs relate to buildings and land improvements of $232,946, machinery, computers and equipment of $47,125, vehicles and ferries of $7,681, and roads, bridges and highways of $109, 209.

Capital leases are included in the various classes as at March 31, 2011 as follows: buildings and land improvements (cost of $472,226, accumulated amortization of $259,522), machinery, computers and equipment (cost of $40,088, accumulated amortization of $37,272, and vehicles and ferries (cost of $16,875, accumulated amortization of $8,462).

Schedule 8

Direct Guarantees

As at March 31, 2011

($ thousands)

	Authorized 2011	Utilized 2011	Utilized 2010 *(as restated)*
Bank Loans			
Nova Scotia Business Inc.	1,050	300	2,900
Industrial Development Act	64,300	36,534	37,379
Department of Education - Student Loan Program	22,364	22,364	30,940
Total Bank Loan Guarantees	87,714	59,198	71,219
Mortgages			
Housing Development Corporation Act	9,573	9,573	10,602
Housing Development Corporation Act - CMHC Indemnities	103,000	103,000	111,911
Provincial Finance Act	83	83	90
Total Mortgage Guarantees	112,656	112,656	122,603
Other Guarantees			
Equity Tax Credit Act - Community Economic Development Investment Funds	—	—	251
Total Other Guarantees	—	—	251
Total Direct Guarantees	200,370	171,854	194,073
Less: Provision for Guarantee Payout			
Industrial Development Act		(2,350)	(500)
Nova Scotia Business Inc.		(30)	(2,900)
Department of Education - Student Loan Program		(4,776)	(6,801)
Housing Development Corporation Act		(9,888)	(13,802)
		(17,044)	(24,003)
Less: Provision for Student Debt Reduction Program			
Department of Education - Student Loan Program		(4,422)	(4,845)
Net Direct Guarantees (not provided for in these statements)		150,388	165,225

Schedule 9

Segment Reporting
As at March 31, 2011

Segment reporting is designed to assist users to identify the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2011 and 2010 fiscal years. The province has determined that the following segments represent the major activities for the government.

Health
The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education
The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives.

Infrastructure & Public Works
The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services
The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development
The provision for the maintenance and upkeep, efficient extraction and processing of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other Government
Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Segment Reporting **Schedule 9**
For the fiscal year ended March 31, 2011
($ thousands)

	Health		Education		Infrastructure & Public Works		Social Services	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue								
Provincial Sources								
Tax Revenue	—	—	—	—	—	—	—	—
Other Provincial Revenue	304,221	295,641	405,568	403,112	22,299	24,686	115,342	90,418
Net Income from GBEs	—	—	—	—	10,220	12,208	—	—
Investment Income	2,295	1,338	1,651	735	—	—	20,957	10,099
Federal Sources	59,082	56,392	26,675	42,000	79,253	87,122	68,766	72,502
Total Revenues	365,598	353,371	433,894	445,847	111,772	124,016	205,065	173,019
Expenses								
Grants and Subsidies	1,523,736	1,363,447	226,096	596,671	343	604	683,865	714,939
Salaries and Employee Benefits	1,532,751	1,553,605	1,115,081	1,101,804	125,197	122,804	145,407	126,802
Operating Goods and Services	651,070	651,615	326,254	298,169	108,910	101,612	105,208	111,635
Professional Services	79,223	93,734	14,979	14,533	24,483	23,915	5,510	3,142
Amortization	96,221	88,617	70,166	64,368	145,808	129,009	18,394	15,923
Debt Servicing Costs	14,231	13,628	4,843	4,721	—	—	34,578	31,907
Other	491	—	41,796	43,534	—	—	—	—
Total Expenses	3,897,723	3,764,646	1,799,215	2,123,800	404,741	377,944	992,962	1,004,348
Segment Result	(3,532,125)	(3,411,275)	(1,365,321)	(1,677,953)	(292,969)	(253,928)	(787,897)	(831,329)

Segment Reporting **Schedule 9**
For the fiscal year ended March 31, 2011
($ thousands)

	Natural Resources & Economic Development		Other Government		Eliminations		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue								*(as restated)*
Provincial Sources								
Tax Revenue	490	568	4,676,668	4,059,941	—	—	4,677,158	4,060,509
Other Provincial Revenue	166,796	173,051	580,969	510,605	(123,305)	(123,199)	1,471,890	1,374,314
Net Income from GBEs	—	—	346,999	346,523	—	—	357,219	358,731
Investment Income	11,716	11,394	176,019	144,164	(30,897)	(17,831)	181,741	149,899
Federal Sources	144,949	120,347	2,830,151	2,908,946	—	—	3,208,876	3,287,309
Total Revenues	323,951	305,360	8,610,806	7,970,179	(154,202)	(141,030)	9,896,884	9,230,762
Expenses								
Grants and Subsidies	279,070	248,742	342,047	281,097	(66,866)	(55,477)	2,988,291	3,150,023
Salaries and Employee Benefits	171,813	166,800	305,405	395,381	(36,578)	(48,788)	3,359,076	3,418,408
Operating Goods and Services	118,251	127,121	112,960	123,003	(4,238)	(3,720)	1,418,415	1,409,435
Professional Services	24,936	21,144	141,871	140,394	(669)	(735)	290,333	296,127
Amortization	6,115	5,442	8,587	9,219	—	—	345,291	312,578
Debt Servicing Costs	8,098	6,387	843,004	822,649	(43,350)	(29,617)	861,404	849,675
Other	24,303	20,818	884	1,371	(2,501)	(2,693)	64,973	63,030
Total Expenses	632,586	596,454	1,754,758	1,773,114	(154,202)	(141,030)	9,327,783	9,499,276
Segment Result	(308,635)	(291,094)	6,856,048	6,197,065	—	—	569,101	(268,514)

Schedule 10

Government Reporting Entity
As at March 31, 2011

The government reporting entity is comprised of the province's departments and public service units (General Revenue Fund) as well as the following governmental units, government business enterprises, and a proportionate share of government partnership arrangements:

Governmental Units

(Consolidation Method)

- Acadia Coal Company Limited Fund
- AgraPoint International Inc.
- AgriTECH Park Incorporated
- Annapolis Valley District Health Authority
- Annapolis Valley Regional School Board
- Art Gallery of Nova Scotia
- Bioscience Enterprise Centre Incorporated
- Cape Breton District Health Authority
- Cape Breton Victoria Regional School Board
- Capital District Health Authority
- Check Inns Limited (inactive)
- Chignecto-Central Regional School Board
- Coal Research Agreement Fund
- Colchester East Hants Health Authority
- Conseil scolaire acadien provincial
- Conserve Nova Scotia
- CorFor Capital Repairs and Replacements Fund
- Crown Land Mine Remediation Fund
- Crown Land Silviculture Fund
- Cumberland Health Authority
- Democracy 250 (inactive)
- Film Nova Scotia
- Gambling Awareness Foundation of Nova Scotia
- Gaming Addiction Treatment Trust Fund
- Guysborough Antigonish Strait Health Authority
- Habitat Conservation Fund
- Halifax Regional School Board
- Harbourside Commercial Park Inc.
  - Sydney Utilities Limited
- Industrial Expansion Fund
- Izaak Walton Killam Health Centre
- Law Reform Commission
- Mainstream 1992 Fund
- Muggah Creek Remediation Fund
- Nova Scotia Arts Council (inactive)
- Nova Scotia Blueberry Institute Fund
- Nova Scotia Business Inc.
- Nova Scotia Community College
  - Nova Scotia Community College Foundation
- Nova Scotia Coordinate Referencing System Trust Fund
- Nova Scotia Crop and Livestock Insurance Commission
- Nova Scotia E911 Cost Recovery Fund
- Nova Scotia Environmental Trust
- Nova Scotia Farm Loan Board
- Nova Scotia Fisheries and Aquaculture Loan Board
- Nova Scotia Government Acadian Bursary Program Fund
- Nova Scotia Harness Racing Fund
- Nova Scotia Health Research Foundation
- Nova Scotia Housing Development Corporation
  - Annapolis Valley Housing Authority
  - Cape Breton Island Housing Authority
  - Cobequid Housing Authority
  - Eastern Mainland Housing Authority
  - Metropolitan Regional Housing Authority
  - South Shore Housing Authority
  - Tri-County Housing Authority
- Nova Scotia Hurricane Juan Recovery Fund (inactive)
- Nova Scotia Innovation Corporation
  - 1402998 Nova Scotia Limited
  - 3087532 Nova Scotia Limited
- Nova Scotia Lands Inc.
- Nova Scotia Legal Aid Commission
- Nova Scotia Market Development Initiative Fund
- Nova Scotia Municipal Finance Corporation
- Nova Scotia Nominee Program Fund
- Nova Scotia Pension Agency
- Nova Scotia Power Finance Corporation
- Nova Scotia Primary Forest Products Marketing Board
- Nova Scotia School Boards Association (1)
- Nova Scotia School Insurance Exchange (2)
- Nova Scotia School Insurance Program Association (2)
- Nova Scotia Sportfish Habitat Fund
- Nova Scotia Strategic Opportunities Fund Incorporated
- Nova Scotia Utility and Review Board
- Off-Highway Vehicle Infrastructure Fund
- P3 Schools Capital and Technology Refresh Fund (3)
- Partnership Trust Fund (inactive)
- Pengrowth Nova Scotia Energy Scholarship Fund
- Pictou County Health Authority
- Provincial Drug Distribution Program
- Public Archives of Nova Scotia
- Public Debt Management Fund
- Resource Recovery Fund Board Inc.
- Rockingham Terminal Incorporated (inactive)
- Scotia Benefit Fund (inactive)
- Scotia Learning Technology Refresh Fund

Schedule 10

Government Reporting Entity (continued)
As at March 31, 2011

Governmental Units (continued)
(Consolidation Method)

Sherbrooke Restoration Commission
South Shore District Health Authority
South Shore Regional School Board
South West Nova District Health Authority
Species-at-risk Conservation Fund
Strait Regional School Board
Sustainable Forestry Fund
Sydney Environmental Resources Limited (inactive)
Sydney Steel Corporation
Sydney Tar Ponds Agency
Sysco Decommissioning Fund
Trade Centre Limited
Tri-County Regional School Board
Upper Clements Family Theme Park Limited (inactive)
Waterfront Development Corporation Limited
    3104102 Nova Scotia Limited
Waycobah School Assistance Fund
3052155 Nova Scotia Limited

Government Business Enterprises
(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Gaming Corporation
    Atlantic Lottery Corporation (25% ownership)
    Interprovincial Lottery Corporation (10% ownership)
    Nova Scotia Gaming Equipment Limited
Nova Scotia Liquor Corporation

Government Partnership Arrangements
(Proportionate Consolidation Method)

Atlantic Provinces Special Education Authority (approximately 55% share)
Canada-Nova Scotia Offshore Petroleum Board (50% share)
Canadian Sports Centre Atlantic (approximately 8% share)
Council of Atlantic Premiers (approximately 45% share)

(1) – Entity is a partnership controlled by the eight school boards.

(2) – Entity is a partnership controlled by the eight school boards and the Nova Scotia Community College

(3) – This includes all refresh funds related to P3 schools.

NOVA SCOTIA